



# Annual Report 2015

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for the online version  
(in Dutch)



# IN BRIEF

## OV-FIETS

Over 1.9 million trips  
(up by 25%)



## TECHNICAL CENTRE

New Technical Centre opened  
in The Hague



## ABELLIO'S RESULT

€49 million



## A SINGLE CUSTOMER SERVICE UNIT

Available 24 hours a day  
from now on, 7 days a week



## ACCESSIBILITY

Notification time down  
from 3 hours to 1



## INTERNATIONAL CONNECTIONS

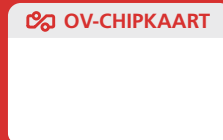
Intercity Brussels: 16 times a day (up by 4)  
Thalys: 14 times on working days (up by 2)  
Intercity direct: 4 times an hour (up by 2)

CO<sub>2</sub>  
16g per  
passenger-km  
(28g in 2014)



## OV-CHIPKAART

Satisfaction with using the public  
transport smartcard for travel:  
79% gave a 7 out of 10 or higher.  
(72% in 2014)



## ARNHEM CENTRAAL STATION OPENED

Also new stations in  
Delft and Alkmaar



## CUSTOMER SATISFACTION

75% of passengers gave a score  
of 7 out of 10 or higher  
(76% in 2014)



## STAFF

33,895 employees

## CLEAN TRAINS

51% gave a score  
of 7 out of 10  
or higher  
(51% in 2014)



# IN BRIEF

## NEW COLLECTIVE LABOUR AGREEMENT 2015-2017

## AGGRESSION

642 reports of aggression and threats led to additional measures against aggression on the railways (774 in 2014)

#%!💀\*💣

## BICYCLE STORAGE FACILITIES

New setup: one day's free storage, digital signage to available spaces, able to pay by OV-chipkaart



## GREEN TRAINS

51% of our trains run on renewable wind energy. This will be 100% by 2018. Improvement in the impact on the environment for 2014-2015 of €100 million per annum.



## RUNNING ON TIME

Passengers arrived on time slightly less often and missed a connecting train more often than in 2014. (Punctuality for passengers 91.0% as opposed to 92.3% in 2014)



## FEWER SPADS

45 signals passed at danger in 2015 (54 in 2014)



## CROWDING

The customer satisfaction figure for seating capacity was higher in 2015 than in 2014. (75.4% as opposed to 74.6%)

## PROFITS

€118 million



## INVESTMENTS

€536 million



## REVENUE

€4,973 million



## TRAIN JOURNEYS IN THE NETHERLANDS

Over 1.2 million train journeys per day



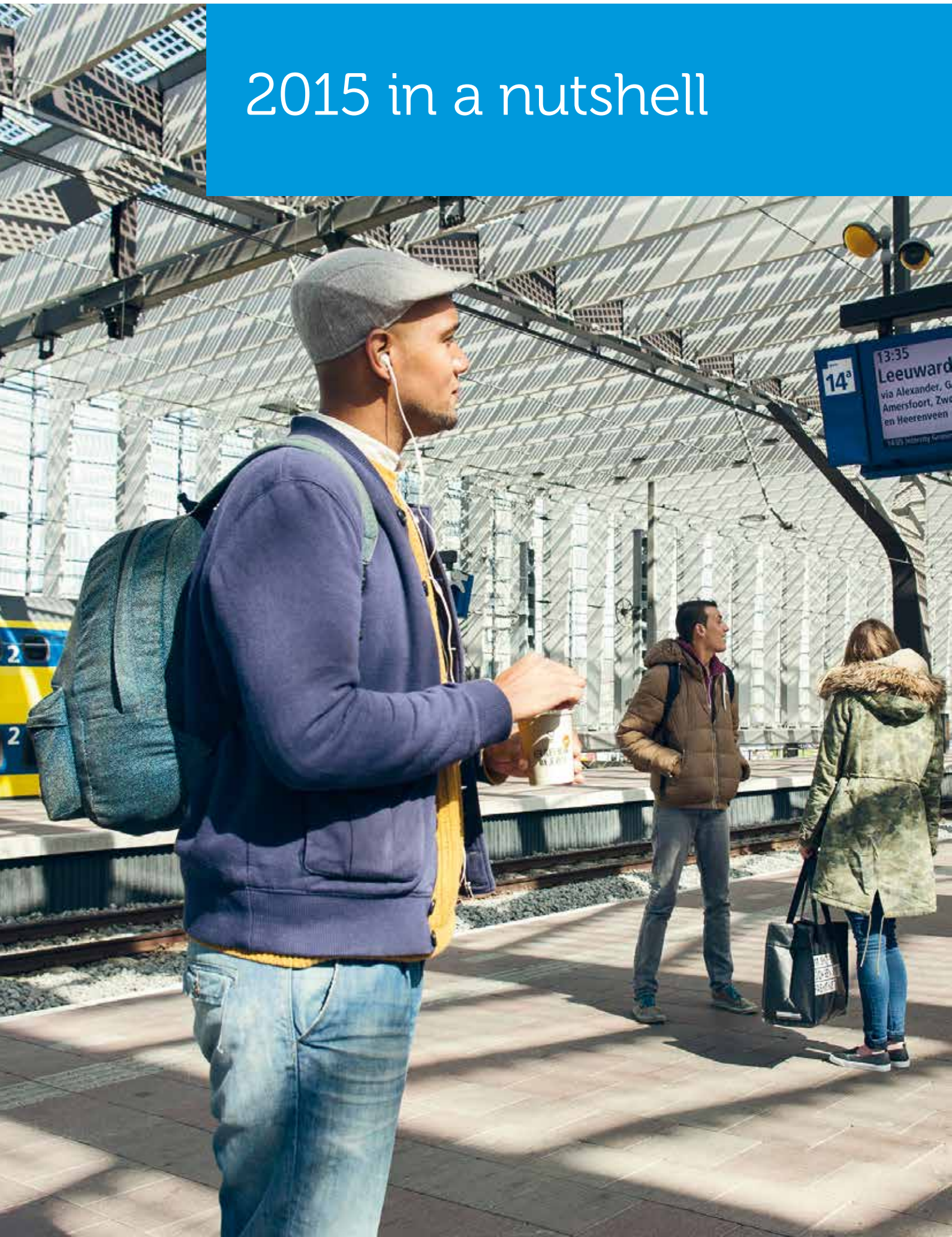
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# 2015 in a nutshell





2015 was an difficult year for NS in several ways. Rail passengers were affected by a number of major disruptions. Irregularities in the tendering procedure for public transport in Limburg and the results of the parliamentary inquiry into Fyra have damaged the trust in NS shown by passengers, stakeholders and staff. Additional measures were needed to let us take steps for structural improvements. This was also the reason why the direction being taken by NS had to be tightened up further.

#### Our performance on the main rail network, as agreed with the Ministry of Infrastructure and the Environment:

Performance indicator	Minimum baseline	Achieved
General customer satisfaction with the domestic main rail network	74%	74.2%
General customer satisfaction with HSL South services	75%	79.4% *
Customer satisfaction with personal safety on the train and at the station	78%	80.1%
Punctuality for passengers (indicator to be achieved jointly with the infrastructure manager)	90.0%	91.0%
Key routes for punctuality for passengers (indicator to be achieved jointly with the infrastructure manager)	93.7%	94.1%
Punctuality for passengers on the HSL South services (insofar as attributable to NS)	94.0%	94.2%
Quality of the NS connections to other carriers at the major nodes	Not measured in 2015 (still under development)	
Passenger capacity at peak times (main rail network)	98.7%	98.7%
Key routes for passenger capacity at peak times	96.5%	96.7%
Passenger capacity at peak times on HSL South services (domestic)	97.5%	89.5%
Journey information in the travel chain	78.0%	81.8%
Information on the train and at the station about disruptions	75.0%	79.9%

\* A terrorist incident and the threat of terror on Thalys meant additional safety precautions had to be taken. As a result, NS was unable to hold a survey on Thalys in the fourth quarter. The annual figure for the HSL South services is therefore based on the performance for the first three quarters.

#### Our performance

Although our performance met by far the majority of the main targets, passengers were less satisfied than last year. Punctuality remained high throughout, but was down with respect to 2014. Passengers found the trains not clean enough, and often overcrowded. That is why we presented an action plan in 2015 with additional measures, on top of the investments made in 58 extra Sprinter trains. Positive points were a further drop in the number of signals passed at danger and the opening of new OV Service Shops. We opened Arnhem Centraal station and a new Technical Centre in The Hague. Thalys and Intercity direct both also ran more frequently. Passengers were more satisfied with the public transport smartcard (the OV-chipkaart) as well. Despite a small number of serious incidents, passengers' perceptions of safety in the train and at stations remained virtually unchanged. In the United Kingdom, our subsidiary Abellio started operating the ScotRail franchise on 1 April.

#### Financial

NS achieved a turnover of €4,973 million in 2015, 20% more than in 2014 (€4,144 million). This increase in turnover came

primarily from the new rail franchise that came into operation in Scotland as of 1 April 2015. Increasing economic growth also meant that NS sold more season tickets in the consumer market. The number of passenger-kilometres on the trains increased by 2.3%. The net profits came to €118 million, compared to a net profit of €180 million in 2014, when the costs of the HSL were covered by other provisions.

#### Our social impact

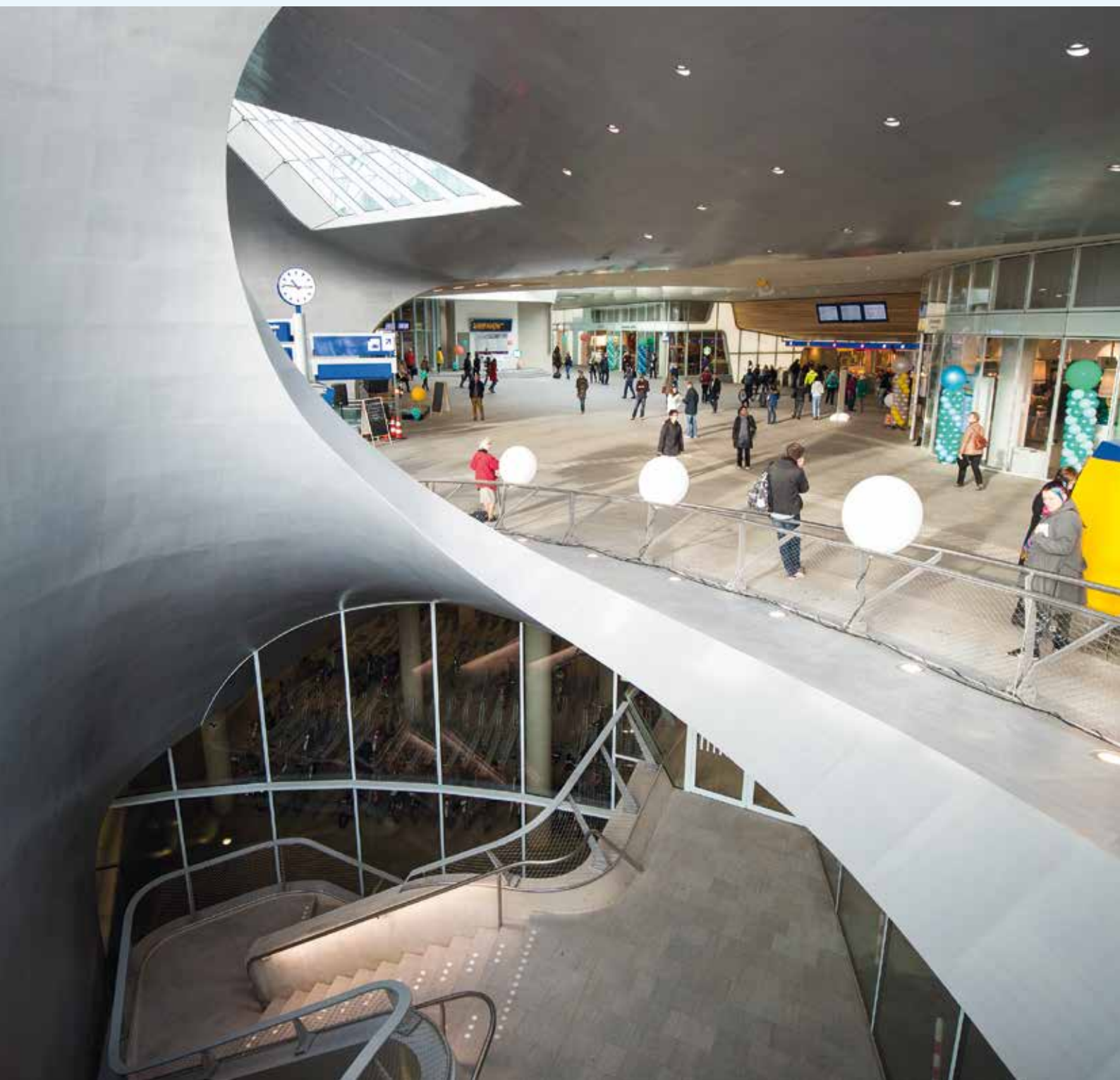
The mobility that we provide means that NS makes a positive contribution to Dutch society. This impact was about €7 billion in 2015, which is an improvement because more customers have been travelling with NS. Because passengers are unable to spend the journey time from door to door as they would like, there are also social costs: €5.5 billion (as opposed to €5.2 billion in 2014). The quality of the journey time fell away somewhat in 2015 because of crowded trains and more 'black' days (13, whereas there were just 3 in 2014); this also means that the social costs increased. We have taken steps to improve this in 2016. More travelling means greater environmental impact in principle, but the fact that half our trains ran on wind en-

ergy in 2015 means that our absolute environmental impact improved by €24 million with respect to 2014. As a result, our positive environmental impact compared to the car increased in 2015 to about €196 million (compared to €181 million in 2014).

## 2016

NS wants to restore confidence during 2016 and raise our performance to a level that is in line with those ambitions. For that reason, NS is continuing to invest in new trains, stations, IT, journey information and new workshops. This makes it impor-

tant that the financial figures should remain healthy. In addition, the coming years will be about improving the operational performance and increasing train frequencies. We are submitting new bids in the United Kingdom and in Germany and we will also hear whether we can continue to operate the Greater Anglia franchise. Our subsidiary Abellio is continuing to make a contribution to the NS group. Together with our partners in the public transport chain, we will continue to work as hard as ever on improving mobility by making the door-to-door journey by train (and the rest of public transport) in the Netherlands simpler and more attractive.





# Foreword

*It's waiting there, so I board the train*

*Nothing to lose, as a mere poet,*

*You can hope (but never know it)*

*That it'll take you home again*

*Nico Scheepmaker*

**//** At the beginning of November, together with ProRail and the municipality, NS opened the rebuilt station in Arnhem. Or indeed Arnhem Centraal, as this hub will henceforth be known. More than a thousand passengers, residents and other interested parties were present at the opening. Everyone was pleased, proud, or both. The meeting symbolised just how deeply people at our company are involved, our services, and the impact that we as an organisation have on society.

It is above all because of the efforts made by all our colleagues who are always ready for our passengers. I have a huge amount of admiration for the NS staff who work day and night, whatever the wind and weather, and are involved with the company and the customers. On the train, at the station or the office or the workshop, everyone does their bit to make the door-to-door journey as pleasant and simple as possible. Even in an awkward year such as 2015, our staff have kept their collective chin up, shown their resilience and simply kept working really hard at keeping the trains running and repairing the confidence our passengers and stakeholders have in us. Everyone at NS deserves a major compliment for that.

We at NS cherish moments such as the opening of Arnhem Centraal, particularly in a year like 2015. The Parliamentary enquiry into Fyra, the irregularities in Limburg, ACM's conclusion that NS had infringed the Railways Act, and overcrowded trains all did our company image no good. In addition, there

were a number of major disruptions, punctuality was often insufficient, and we saw the CEO and the chair of the Supervisory Board depart. Despite the problems, it is only appropriate to thank them as well for all the efforts being made for NS.

Although these are largely incidents, carrying out our core activities also creates tensions between our social objective, improving sustainable mobility, and the commercial target: healthy business operations to achieve profits and allow investment. Looking back, it is clear that we did not keep these items sufficiently separate. This contributed to a climate that allowed the Fyra debacle and the irregularities around the tendering process in Limburg to happen. If there is now tension between our social and commercial objectives, we will in the first instance choose the social goal: for passengers. We look at the commercial consequences after that. We must of course keep running a financially healthy company so that we will also be able to continue investing in future. We do this by focusing on three core activities: delivering train services on the main rail network, providing stations, and contributing to the door-to-door journey. We do that by working closely with ProRail and other partners. We also keep a close eye on strict company ethics, good governance and proper risk analyses.

2015 was a year in which a great deal went wrong, but at the same time a year during which we immediately went looking for solutions to those same problems – whether that had to

do with our way of working, or a lack of seats on a number of routes. And fortunately, a lot of things went nicely too. As well as Arnhem Centraal, we also opened the new station at Delft. People are getting thoroughly used to the public transport smartcard, we made a flying start in Scotland with ScotRail, 51% of our trains in the Netherlands ran on green power and 10% of Dutch residents had season tickets with NS. A milestone. Railway safety improved last year. And despite a number of unpleasant incidents of aggression, including a particularly nasty one against a female conductor in Hoofddorp, aggression against our staff is decreasing. Which is a good thing, of course: each and every incident is unacceptable.

In close consultation with the State Secretary of Infrastructure and the Environment, we presented a series of measures at the end of December that will meet the wishes of our sometimes dissatisfied passengers as well as possible in 2016. We will deploy the first new trains at the end of 2016. A moment to look forward to.

This annual report is about looking back, but we can also look into the future a little. There are a lot of things lined up for 2016. A number of stations are being or will be renovated, so quite a few things will be out of service and the crowding in the trains is not something we can resolve just like that. We are asking our passengers to persevere a little longer, because we are making a promise: things are going to improve. More attractive stations, better connections, new trains. We are not making those improvements on our own. We are working closely with our partners such as ProRail, other carriers, the Ministry of Infrastructure and the Environment, and consumer organisations. We are working together on attractive and sustainable public transport in the Netherlands and across the borders, for now and for later. We would especially like to thank all our staff for their huge efforts, involvement and contribution over the last year."

*Roger van Boxtel*





# I NS Group

# The profile of NS

1





NS operates in the public transport sector. We encourage the use of public transport and we keep the Netherlands mobile. Our activities are always centred on our passengers and we are working to make their door-to-door journeys as pleasant as possible.

Our 34,000 staff (30,565 FTE) are working every day on reliable passenger transport, comfortable trains and buses, lively stations and station areas. Together with our public transport partners, we are working continuously on improving train travel. The operations of NS cover both passenger transport and station development and operation, with combined revenues of €5 billion. More than 88% of that comes from passenger transport. Our activities abroad earn money, teach us how we can improve our services, and prepare us for the possibility of further deregulation of the railway market. This means that they are contributing to the NS company objectives.

### NS in the Netherlands and Europe

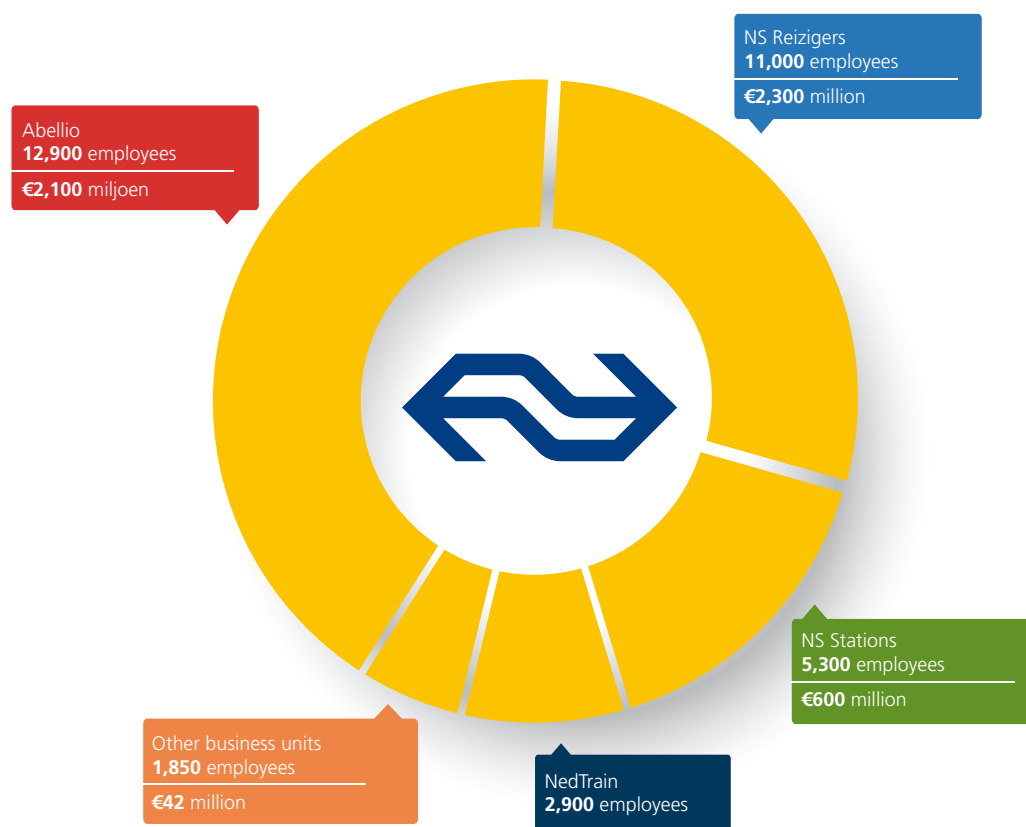
The oldest predecessor of NS, HUISM, was founded in 1837. Since then, NS has been making a contribution to mobility

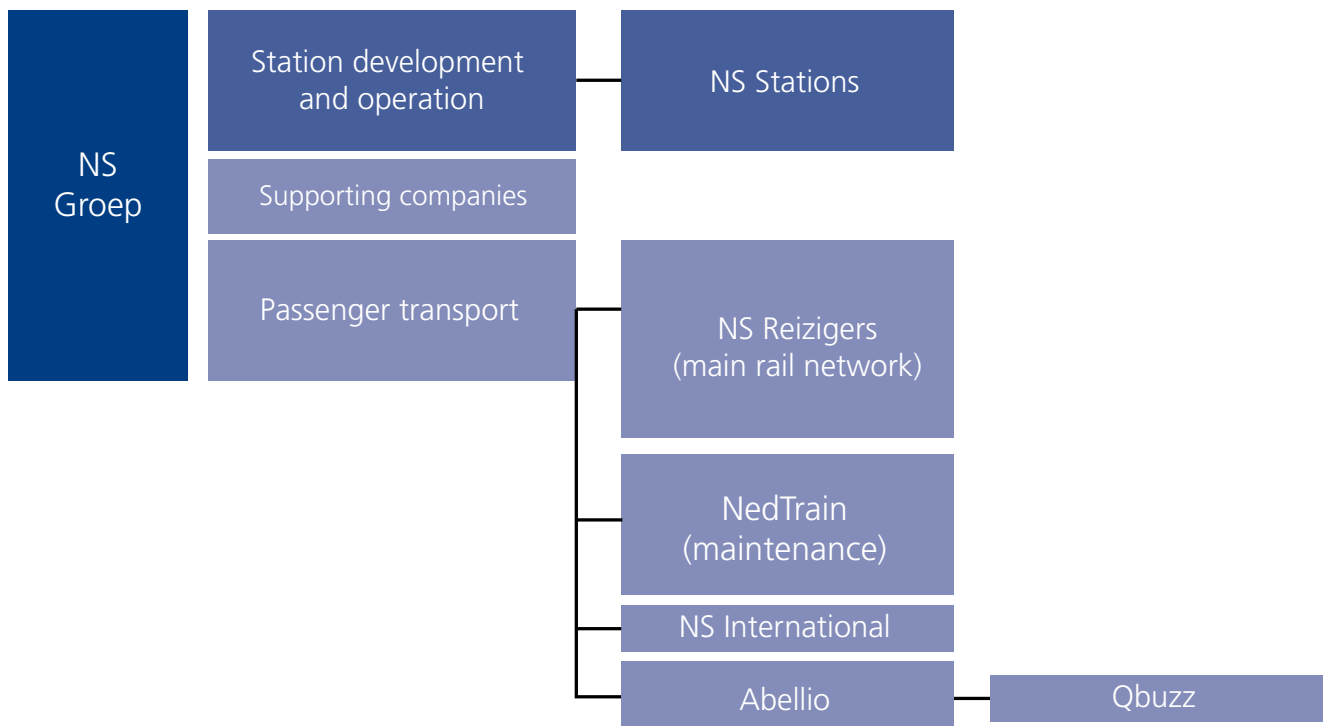
and progress in the Netherlands. The company still plays a very significant social role in the domestic market. Since 2001, NS has been accumulating an increasing share of rail and bus transport in Europe through its subsidiary Abellio. NV Nederlandse Spoorwegen consists of:

**NS Reizigers**, responsible for rail transport on the Dutch main rail network, including the HSL South, and for the associated sales and service activities. NS Reizigers handles the logistics, provides journey information, sells tickets and manages the Customer Service department. With more than 11,000 employees and revenue of €2.3 billion, it is both the largest and the most high-profile of the NS business units.

**NedTrain**, responsible for upkeep of the trains in the Netherlands, working on continually maintaining, cleaning and

## SIZES OF NS BUSINESS UNITS IN 2015





upgrading our trains and making them more sustainable. With 2,900 employees, NedTrain's operations are purely business-to-business, primarily within NS for NS Reizigers.

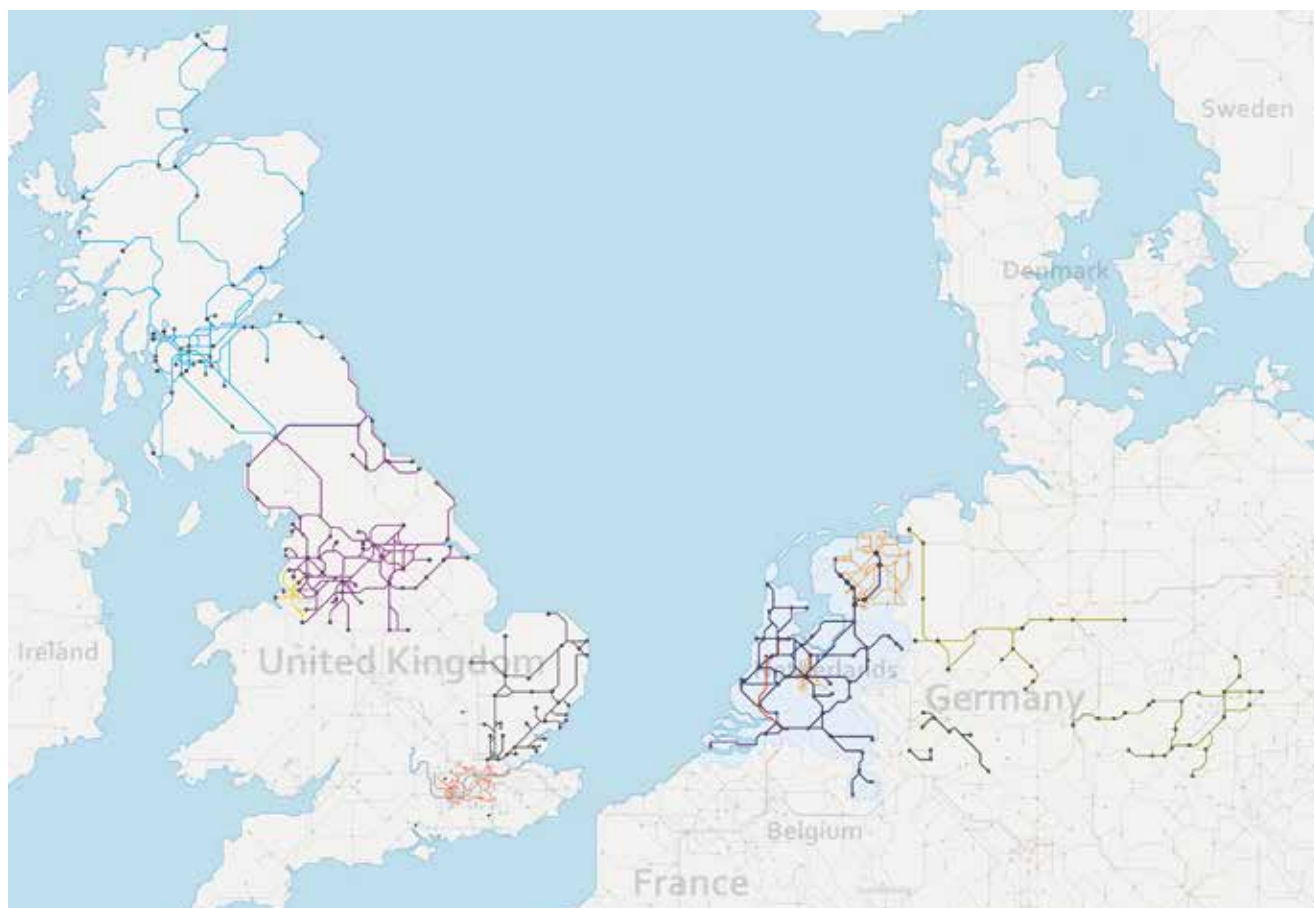
**NS Stations**, which has the task of providing a good network of large and small stations. For millions of passengers, the sta-

tions are a crucial link every day in the journey from door to door. Together with ProRail, the authorities and all the carriers, NS Stations and its 5300 staff want to make the journey and the stay in the immediate vicinity of the station as pleasant and comfortable as possible. We look for the optimum balance between the transfer function and the commercial



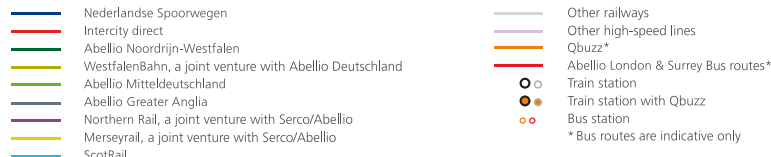
*From left to right: Engelhardt Robbe, Maurice Unck, Marjan Rintel, Hans Hemels, Michiel van Roozendaal, Michiel Noy and Roger van Boxtel*





## NS franchises in Europe

In the Netherlands, Germany and the United Kingdom



function. NS Stations is involved in the hospitality and retail sectors as well as the development and operation of property, and it is responsible for the facilities in and around the stations (such as the bicycle hire facility OV-fiets and NS Zonetaxi) that ensure a smooth door-to-door journey. The key items in this are the passengers' needs: a pleasant stay, safety, comfort and journey time. NS Stations has a turnover of €600 million. There are 410 stations in the Netherlands.

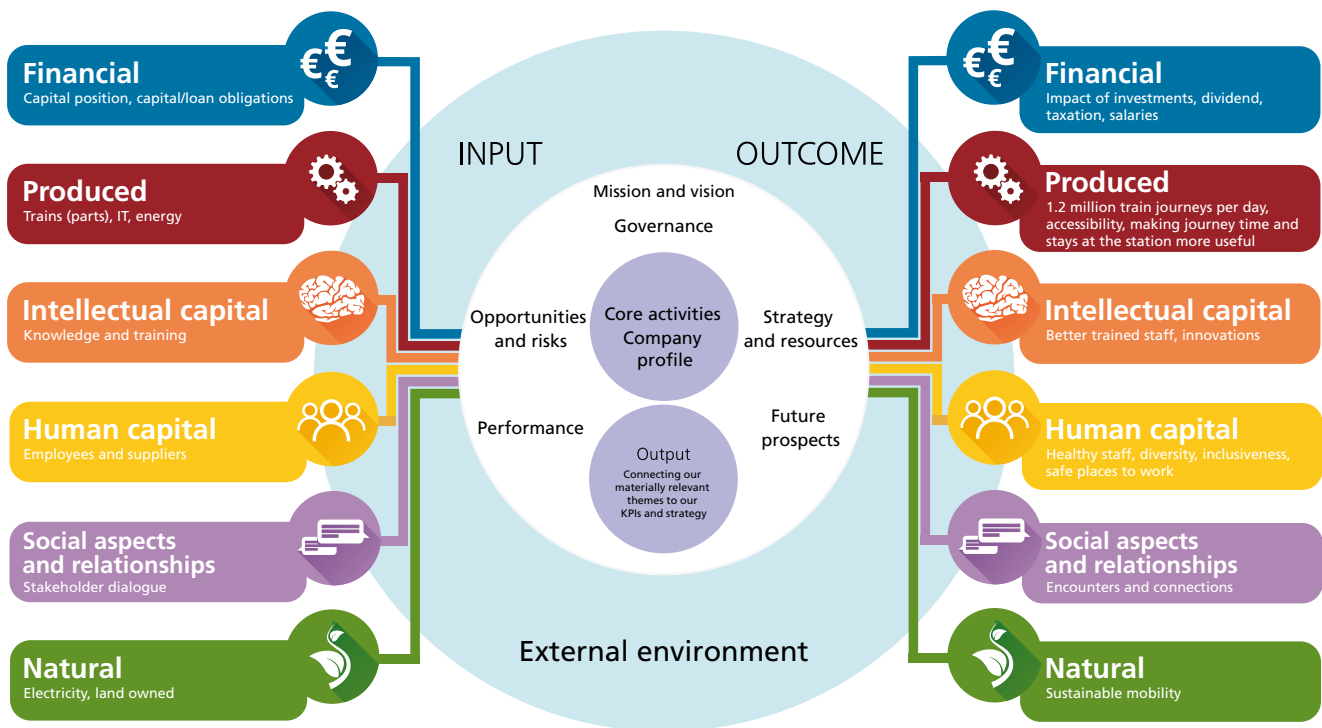
**Abellio**, which was founded in 2001 as NedRailways, obtains and operates public transport franchises aimed at consolidating the position of NS in the European market as it becomes more deregulated. The United Kingdom and Germany have the largest deregulated railway markets in Europe. Abellio won its first contract, Merseyrail, in the United Kingdom in 2003, in a 50-50 joint venture with Serco. The company is now one of the largest railway operators in the United Kingdom and it carries 1.5 million passengers a day in the Netherlands, Germany and the United Kingdom (including joint ventures).

12,900 employees work for Abellio. Abellio currently has rail and bus transport operations in the United Kingdom and (through Qbuzz buses and trams) in the Netherlands. Abellio runs four train franchises in Germany. Abellio's revenue is €2.1 billion (excluding joint ventures).

## Executive Committee

The Executive Committee tackles aspects that affect the entire concern. The way the activities fit together is examined from a variety of angles. The Executive Committee takes key decisions for the company (including investment decisions). At the end of 2015, it was made up of the following: Roger van Bortel, CEO; Hans Hemels, HR and Organisation Director; Jeff Hoogesteger, Chairman of the Board of Abellio; Michiel Noy, CEO of NS Stations; Marjan Rintel, CEO of NS Reizigers; Engelhardt Robbe, CFO and CEO of Abellio ad interim; Michiel van Roozendaal, CEO of NedTrain; Maurice Unck, Communication & Strategy Director.

## VALUE CREATION MODEL



### Value creation model

NS is working on sustainable mobility, delivering an important contribution to Dutch climate targets and helping the economic development and the accessibility of the cities and regions. The annual report tells you how we are creating value for society. The value creation model below shows the social, economic and environmental sources we use, what NS adds to them and what that then provides for society.

### About the scope of this report

NS is a company that is based in the Netherlands and has a Dutch shareholder, the Ministry of Finance. In this annual report we are therefore primarily giving an account of our actions for our Dutch stakeholders. NS focuses on the passengers and ensuring that their door-to-door journeys are comfortable. NS focuses on improving operational performance on the railways, supported by activities relating to bicycle fa-

cilities, bus transport and stations. In addition, we aim to be a financially healthy organisation. Our stakeholders expect that from us as well. Additionally, they are particularly interested in the non-financial results. To many stakeholders, the customer satisfaction, safety and punctuality are much more important than returns. This is also reflected in the dialogues with our stakeholders.

In order to offer passengers the best possible service at the right price, we are also acquiring experience abroad. That keeps us on our toes. Our goals in Europe are to earn money and acquire knowledge and experience. Like other major European state railway companies, we are preparing for possible further liberalisation of the market. Activities abroad have to contribute to the public interests in the Netherlands. Our stakeholders say that they believe our activities in Europe are a materially relevant theme. That is also why we have included Abellio's results abroad as a separate chapter.

# Report by the Executive Board

2





# 'Repairing trust'

2015 was a year of ups and downs. The irregularities in Limburg, the parliamentary inquiry into Fyra and disappointing operational figures have damaged confidence in NS. At the same time, we have for instance opened the new Delft and Arnhem Centraal stations and invested in new trains to make travelling by rail more attractive. Roger van Boxtel and Engelhardt Robbe are very pleased with the resilience and efforts of all the NS staff. "We very much appreciate the contributions that everyone has made over the last year. Whether things were going well or badly, they have done everything they could to help the passengers and the organisation as much as possible."

'A very difficult year.' That is what Roger van Boxtel and Engelhardt Robbe think of the events of 2015. The irregularities in Limburg, the ACM decision, the parliamentary inquiry into Fyra and disappointing operational performance have all had an effect on NS in 2015. The confidence of passengers, stakeholders and staff has come under severe pressure. Roger van Boxtel, speaking about Limburg: "Rules and standards of decent conduct have been broken, which has damaged our reputation and there have been consequences. We said straight away that NS wants no part of this."

## Programme for recovery

After the company's top man Timo Hugens departed, Roger van Boxtel joined NS as the new chairman and CEO on 1 August. "And what did I find? The company was shell-shocked. They were busy coming to terms with the events in Limburg. We decided to put our efforts into a programme for restoring trust in NS." Engelhardt Robbe: "We have had all the franchises from recent years examined to see if there were any irregularities. Fortunately that showed Limburg was an isolated incident. But it had a huge impact nevertheless and it must never happen again. We have got down to work dealing with the recommendations from the external reports, and NS as a whole has also drawn its conclusions. We ourselves took the initiative to bring in external help to investigate the steps we could take for structural improvement. That's what good companies do in a crisis." Van Boxtel says, "We're busy tightening up our strategy now. How can we fulfil our social role, and how can we make even more of a contribution to better public transport in the Netherlands? What are we still doing, and what is missing? To give an example: we are investigating the possibility of

gradually outsourcing some of the shopping facilities we offer over the coming years through franchising. We will then retain an overall controlling function. A number of the retail formats have already been transferred to other market parties in 2015."

One of the important questions is how NS can work at creating a culture in which awareness of the norms is not only a guiding principle, but also something that fits in with the company's social function. Van Boxtel says, "That's not only about being able to raise a flag in some positions - we also have to think of procedures to prevent these missteps from occurring. We have a new chief of Governance, Risk and Compliance in Susi Zijdeveld, who is going to make sure that our processes are in order and that our integrity is utterly beyond reproach. I would like to emphasise that 99.9% of NS staff had nothing to do with the Limburg issue." Robbe says, "We have to be completely transparent and make sure there's a level playing field. NS must be competitive, but it also has to be able to show that it's playing fair."

Those irregularities also led to additional roles for Engelhardt Robbe, who was temporarily CEO and CFO of NS and CEO and CFO of Abellio. Van Boxtel says, "Engelhardt has played a massively important role in providing continuity this year. It is a shame that he will be leaving us in 2016."

## Busy trains

In operational terms, 2015 did not always score well enough. Robbe says, "We have had a number of major disruptions, causing a lot of inconvenience for passengers. There were too many overcrowded trains during the autumn. We deployed a lot of reserve rolling stock for Intercity direct, as the replace-

ment for Fyra, and for the Intercity to Brussels. But then there are shortages elsewhere. At the same time, the student public transport card was retained after all, which was unexpected, and in fact extended to vocational students aged under 18." Van Boxtel says, "We're tackling the problem routes, where the biggest issues are for our customers. One at a time. In particular, this lets us take a good look at how the processes fit together. To give an example: some days don't get off to a good start because the trains were not moved to the right places the night before. That leaves us playing catch-up all day." Capacity is going to remain tight in 2016 as well, say Van Boxtel and Robbe. The new trains that have been ordered will be coming on line from the end of 2016 onwards - according to plan, or in some cases even prioritised because of the shortages. There are also going to be a number of major items affecting services, including work in Utrecht, at Schiphol and on the Schiphol-Almere corridor. NS has drawn up an action plan, but is still asking passengers to be patient, according to Roger van Boxtel. "We are also coming up against the limits of track capacity, though there is continual demand for more. We cannot do that alone. We must become more flexible and work together better, with the other carriers as well. Together with them, we set up a sector association last year. We have also started the national and regional public transport round tables, where we discuss things with the stakeholders and the authorities before we take any decisions. Together, we look at how we can improve public transport in the Netherlands, working from a common vision for the future."

Public transport in the Netherlands can only be made efficient if you take an integral approach, state Van Boxtel and Robbe. For example by offering dynamic journey information that also takes account of journey times by other transport. Innovative solutions can help this. There is also going to be an innovation fund of €5 million that we will use for asking start-ups to produce smart solutions. Our Journey Planner Xtra app has already started using a few smart tricks in 2015, or developing them further, so that you can report when trains are busy, or can see the number of OV-fiets bicycles that are available. There is a trial at Den Bosch station with LED indicators showing you the best place to get on, as well as new payment options - including mobile phones - that we are investigating.

### Milestones

NS was able to note a number of pleasing milestones in 2015, including the opening of refurbished stations. After Rotterdam in 2014, there were Arnhem and Delft this year. Furthermore,

the new IJ Passage was opened in Amsterdam. Van Boxtel says, "These are fantastic public spaces and really good advertisements for the cities. Local residents are visibly proud of them." Achievements were recorded in other areas too. Customer Service became available 24/7, the new website ns.nl was launched and NedTrain opened a new, modern maintenance centre in De Binckhorst industrial estate in The Hague. Enoki, at Utrecht Centraal, won an award for the most innovative food format. Train crews worked longer hours and office staff helped provide journey information at stations during major events such as the Tour de France, the Four Days March in Nijmegen, Veterans' Day and Gay Pride. The frequency of Intercity direct and Thalys services was increased and the number of SPADs fell. Robbe says, "The train is the safest mode of transport there is, and the most sustainable too." "We highlighted that when we put on the 'Train to Paris', which took the Dutch delegation to the climate summit in Paris," adds Van Boxtel. In 2015, NS made further progress towards its goal of running trains entirely on green power by 2018.

There was also one low point, when a female conductor was seriously assaulted at Hoofddorp station. The incident had a huge emotional impact among NS staff and in society at large, and prompted a series of additional measures aimed at preventing similar incidents in the future. NS believes that every aggressive incident is one too many. A trial with body cameras was announced in autumn 2015. At certain stations, the access gates were brought into use ahead of schedule. Robbe says, "We need to be continually looking for a balance between freedom of movement and a safe environment for passengers and for our own people. We are doing all we can for personal safety."

### Abroad

The highest profile event in 2015 among our foreign operations was the start of the ScotRail franchise by Abellio on 1 April. NS is operating this franchise in cooperation with Network Rail, the Scottish equivalent of ProRail. Van Boxtel says, "We are held to account for our joint performance and we make decisions jointly. This is teaching us a great deal about how NS and ProRail can work together to make travelling by train in the Netherlands more attractive. Indeed, that is one of the key objectives of our foreign operations: drawing lessons that can be used to improve the main rail network in the Netherlands." Robbe adds that foreign operations must of course be financially responsible and in accordance with risk and compliance requirements and they must not divert attention too much

from the main rail network. "On the contrary, the main rail network is our base. The passengers who use the train every day in the Netherlands must benefit from our achievements abroad." Incidentally, NS won four tender procedures in Germany in 2015; as a result, NS-Abellio will soon be taking passengers from Arnhem to Berlin.

### Financial

According to Robbe, 2015 was a "reasonable" year from a financial perspective. NS is healthy but the return on investment is still insufficient, in part because NS needs to recoup

the billions invested in the future. That outlook will not change in 2016. Robbe says, "We will be investing €3.6 billion over the next five years, among other things in new trains, workshops, station and IT systems. In addition, the shareholder also demands a certain return on investment from us." Van Boxtel says, "Robust management of our financial affairs is not an end in itself but a means to an end, namely achieving our objective of good public transport. We need to continually keep in mind that our customers provide us with our income and that all the money we spend should be for the benefit of our passengers."

*Roger van Boxtel (1954), CEO, Dutch national*

**Other positions held:** Member of the Supervisory Board of the APG Group, chairman of the Geschiedschrijving Gorinchem Foundation, ambassador for the Hubrecht Institute, member of the scientific and social advisory council for the University of Humanistic Studies, member of the advisory council of ECP-EPN, member of the Ajax members' council, member of the Executive Board of VNO-NCW, member of the Executive Board of Zorgverzekeraars Netherlands, chairman of the supervisory board of Museum De Fundatie

**Background:** Dutch Law (University of Amsterdam)

**Career:** VNG, AEF, Member of Parliament in Lower House and Upper House, minister for Cities and Integration and ICT, CEO of Menzis

*Engelhardt Robbe (1955), CFO, Dutch national*

**Other positions held:** member of the Supervisory Board and chairman of the audit committee of Eurofima Switzerland, member of the Supervisory Board and chairman of the audit committee of Delta NV, chairman of the Executive Board of NS Financial Services Company, chairman of the Supervisory Board of NS Insurance, chairman of the Supervisory Board of the Dutch Railway Museum, member of the Executive Board chairman of the 4/5 May Fund, ambassador for UAF, member of the board of trustees for the registered controller programme at the VU University Amsterdam.

**Background:** Business Economics (Groningen University)

**Career:** Shell





# Report by the Supervisory Board

3



2015 was a difficult year for NS with the irregularities in Limburg, the departure of the CEO and the chairman of the Supervisory Board, the parliamentary inquiry into Fyra/V250 and the disappointing operational performance. At the same time, these events made the organisation more alert and created a platform for essential changes within the company.

### **ACM inspection**

For the Supervisory Board, 2015 was dominated by the irregularities in Limburg and the repercussions. Following a complaint by Veolia, the Netherlands Authority for Consumers and Markets (ACM) started an investigation in October 2014 into the conduct of NS during the tendering procedure for public transport in Limburg. The CEO and CFO notified the Supervisory Board at an early stage of the investigation by ACM and the possible infringement of the Railways Act by NS. Based on the information it had received, the Supervisory Board concluded that NS had a strong case. At a later stage, the Supervisory Board learned of the substance of the decision by ACM, which found that NS had indeed violated the Railways Act on a number of points, and it was informed of the possible involvement of senior NS management in this. The Supervisory Board should certainly have been informed earlier of the suspicion of the involvement of the Executive Board, regardless of whether that suspicion was correct. The Supervisory Board supported the decision by NS not to appeal against the judgement by ACM, although this is not the same as endorsing ACM's conclusions.

### **Irregularities in the Limburg tendering procedure**

Following on from the ACM investigation, NS came across serious irregularities during an internal compliance investigation. During the tendering process, staff at Qbuzz had received unauthorised confidential information from a (former) employee of Veolia Transport Limburg. In March, the Supervisory Board instructed its company law firm De Brauw to look into the matter. At the request of the Supervisory Board and following a decision taken with due care, De Brauw's provisional report was published on the NS website on 28 April. This ensured public transparency about the affair. Certain Qbuzz directors were suspended. The Supervisory Board also instructed De Brauw to carry out an additional investigation into the possible involvement of the CEO and attempts by the CEO to influence the previous investigation.

### **Departure of the CEO and chairman of the supervisory board**

Based on the findings of De Brauw and intensive talks that

the board held with the CEO, the Supervisory Board drew the unanimous conclusion in early June that there had been a breach of trust and it decided to dispense with the services of Timo Huges. It was not just the CEO's departure that the Supervisory Board had to deal with. On 23 June, its own chairman resigned, in part because of the miscommunication between NS and the shareholder about the departure of the CEO and the ensuing situation. The irregularities in Limburg and the loss of the CEO and the chairman of the Supervisory Board put a strain on NS.

### **The repercussions**

The investigation by ACM and the irregularities in Limburg revealed a number of significant inadequacies in the management and control systems of both NS and its subsidiaries. The Supervisory Board has made clear-cut agreements with the Executive Board in order to improve the Supervisory Board's position with regard to information in the future and thus enhance its overview of the state of affairs within NS.

In addition, the management consultancy firm Alvarez & Marsal investigated NS's internal company culture and structure and made recommendations for improvement. The Supervisory Board endorses the recommendations and will make sure that they are implemented within NS. As before, the Supervisory Board is investing in a good, open relationship with the Executive Board. The same applies to the relationship with the shareholder.

### **New Supervisory Board members**

The Supervisory Board is pleased that Roger van Bortel was able to take over quickly as the new interim CEO following the departure of Timo Huges. His experience and ability to inspire cohesion will let NS work on repairing trust. In addition, Susi Zijdeveld was appointed Chief Governance, Risk & Compliance Officer. She joined the Executive Board on 1 February and will help the organisation become yet more professional. She will be the driving force in the process of achieving the desired transformation of the corporate culture.

Since the departure of Merel van Vroonhoven in 2014, the Executive Board has consisted of two members rather than three,

supported by six officials from NSR, NS Stations, NedTrain, Abellio, and the key functional departments in the company. Together, they form the Executive Committee (ExCo). This governance form was chosen as a way of eliminating the internal barriers between the business units, although – looking back – it has not been entirely successful in that respect. The Supervisory Board is critical of how the ExCo is functioning at present. The Supervisory Board feels that a two-person Executive Board is vulnerable in terms of organised counter-arguments and continuity in staffing and is therefore not a suitable solution for the NS given the complex societal, political and legal arena in which it operates.

## Governance

The changed senior management structure with the new ExCo came into effect in 2014, and 2015 was the first full year of operation. The ExCo members (whether or not registered in the articles of association) are jointly responsible for the internal management of the company, with the aim of reducing compartmentalisation. The Supervisory Board regularly invites ExCo members to its meetings. In the past year, the Supervisory Board felt it needed to intensify its oversight. This has given it a better picture of the organisation, albeit not always a reassuring picture. The members of the Board have been in regular contact with the Central Works Council. These meetings were pleasant and constructive, showing that the Central Works Council supports the Supervisory Board in the key areas.

## Financial results

NS achieved a net profit of €118 million this year, compared to a profit of €180 million in 2014. A proposal has been made to pay a dividend of €41 million, which is 35% of the result for 2015. The board has cast a critical eye over the results and discussed them with the accountants. NS is facing major financial challenges. The financial position is still comfortably strong enough to make the investments that were agreed in the main rail network franchise. At the same time, the Supervisory Board is concerned about the underlying return on investment. In the long term, further improvement is expected due to rising transport revenue.

## Supervision in 2015

### *Main Rail Network franchise, 2015-2024*

The main rail network franchise for 2015 to 2024 presents new challenges for NS as well as offering opportunities to provide a better service for passengers. 2015 was the first year in which NS operated the new franchise, with variable results. Operational performance can and must improve.

## Safety

At every regular meeting, the Executive Board informs us about current safety issues such as accidents and the associated investigations. The Supervisory Board encourages the taking of preventative measures that will improve safety on the track, at stations and at the workplace yet further. The board paid special attention this year to the safety of NS employees themselves, cutting down the number of accidents at work and reducing the number of signals passed at danger (SPADs). It was pleased to see that the latter figures continued their downward trend in 2015.

## Parliamentary inquiry

For four weeks in 2015, there were public hearings in the parliamentary inquiry into the Fyra/V250 affair. Two former chairmen of the NS Supervisory Board also appeared before the committee. The Supervisory Board followed the inquiry closely and has studied the final report, which was published in October. In the past few years, NS has been putting the lessons learned from the Fyra affair into effect. For instance, there has been a programme director for rolling stock projects since 2014 who reports directly to the CFO. The Supervisory Board is critical of the recommendation by the parliamentary inquiry committee to put on more fast trains to Belgium and to do so sooner: feasibility and due care should take priority here.

## Strategy

In view of the ambitions for performance improvement as agreed in the main rail network franchise for 2015-2024, the insights from the evaluation of the Fyra rapport and the irregularities in the public transport tender in Limburg, both NS and the shareholder saw a need for a change of strategy for the NS. Intensive discussions were held about this in the board's *ad hoc* strategy committee and with the entire Supervisory Board. The matter was discussed in October in the tripartite meeting of the shareholder, the Supervisory Board and the Executive Board. In December, the Supervisory Board expressed its support for the general outline of the new strategy as developed by the Executive Board.

## Shareholder

There was a need for intensive contact with the shareholder in 2015, for instance in dealing with the departure of the CEO, in the review of the strategy and the standardisation of the articles of association and as a result of questions in Parliament and requests under the Government Information (Public Access) Act. The intensity of contacts is expected to return to normal levels in 2016.



### *Investments*

The purchasing processes for the new generations of Sprinter and Intercity trains were the subject of considerable discussion between the board and the Executive Board in 2015 as well. For the procurement of new rolling stock, starting with the New Generation Sprinter, the board is ensuring that the lessons learned from Fyra/V250 are being applied properly and that senior executives are sufficiently involved in the procurement process. In addition, the board is closely monitoring large investments. The board also debated various wide-ranging investment proposals in 2015.

### *Other important topics*

The Supervisory Board also discussed a large number of other topics. For example, it discussed operational performance in the main rail network, and Abellio's bids in Scandinavia (where it failed to win Stockholm Pendeltåg), Britain (where it lost Northern Rail and the East Anglia bid is still being considered) and Germany (where Stuttgarter Netz and one lot in the Rhine-Ruhr-Express were won, as were the two lots in the Dieselnetz Nordwestsachsen franchise). The collaboration with ProRail was also the subject of frequent discussions.

## **Changes in the Executive Board, ExCo and Supervisory Board**

### *Executive Board and ExCo*

CEO Timo Hugues was suspended on 5 June 2015 and his contract terminated on 10 July. He was succeeded on 1 August by Roger van Bortel. Engelhardt Robbe served as the interim CEO in the intervening period. Susi Zijdeveld was appointed Chief Governance, Risk & Compliance Officer and started work on 1 February 2016.

The composition of the ExCo has also been changed. Engelhardt Robbe has been acting chairman of the board of Abellio since the suspension of Jeff Hoogesteger by NS on 5 June 2015. He will continue to do this into the spring. In December 2015, he announced that he will be leaving NS in the second quarter to pursue his career further in another organisation. The financial function has been strengthened under Engelhardt Robbe's leadership and NS's financial results have improved. We are grateful for his integrity, professionalism and huge dedication in turbulent times and we sincerely wish him every success in his future career.

### *Supervisory Board*

During the year under review, we said farewell to the chairman Carel van den Driest. In June 2015 he announced that he

wished to resign. The Supervisory Board respected his decision and would like to thank him for all he has done for NS in the past few years. Truze Lodder took over the chairing role from him. Her third and final term of office is due to end in 2016. Ilonka Jankovich also announced that she would be leaving the Supervisory Board in the course of 2016. The Supervisory Board is now looking for candidates to fill a total of three vacancies.

## **Meetings of the Supervisory Board and its committees**

### *Supervisory Board*

The Supervisory Board met 38 times in 2015, of which 13 meetings were by telephone. With only occasional exceptions, all members of the Supervisory Board were present at all the meetings. The Supervisory Board has the following permanent committees: the Audit Committee and the Remuneration and Appointments Committee.

### *Audit Committee*

At the start of 2015, the de Audit Committee consisted of Jeroen Kremers (chair), Paul Rosenmöller and Gerard van de Aast. Its composition was changed after the departure of Carel van den Driest. At present, the committee is made up of Jeroen Kremers (chair) and Gerard van de Aast, with Truze Lodder as acting member. The committee met four times. With one exception, all the members attended all the meetings. The key topics were the financial statements, the annual report, the annual and six-monthly figures, the budget, the corporate plan for 2016 to 2020, audits, risk management and IT risk control.

### *Combined Remunerations and Appointments Committee*

Until 3 July 2015, the combined Remunerations and Appointments Committee had Truze Lodder as its chair and Carel van den Driest and Ilonka Jankovich as members. When Truze Lodder was called to take over as chair of the Supervisory Board, Paul Rosenmöller took over her position in the combined committees. Their meetings were held successively, using a single shared agenda. The committees met four times in 2015 and all members were present each time. The topics discussed included the gainsharing plan for Abellio, the pipeline for senior management within the company, changes to the pension mechanism and filling the various positions that became vacant in the Executive Board and Supervisory Board in the course of the year.

### *Temporary strategy committee*

In the fourth quarter, Gerard van de Aast, Jeroen Kremers and Paul Rosenmöller were closely involved as representatives of the

Supervisory Board in defining the new strategy and the discussions about this with the shareholder. The Supervisory Board also discussed the new strategy in plenary sessions on several occasions. All members of the Supervisory Board are independent, as defined in the Dutch Corporate Governance Code. The Supervisory Board broadly subscribes to and applies the best practices and principles in Chapter III of the code.

### About this report

The financial statements for 2015, as prepared by the Executive Board, were discussed by the Supervisory Board. The external auditor (EY) was present during the discussion. The financial statements are accompanied by the report by the

Executive Board. We invite the General Meeting of Shareholders to adopt the 2015 financial statements, which can be found on pages 124 to 188 of this report. We also invite our shareholder, the Ministry of Finance, to ratify the decisions of the Executive Board and the supervision exercised by the Supervisory Board. The profit appropriation proposed by the board has been included on page 189 of this report.

We would like to thank the ExCo and the staff of NS both in the Netherlands and abroad for their efforts during this awkward year.

Utrecht, 18 February 2016  
The Supervisory Board



From left to right: Paul Rosenmöller, Jeroen Kremers, Truze Lodder, Ilonka Jankovich and Gerard van de Aast.

#### *Truze Lodder (1948), chair, Dutch national*

Appointed on 1 June 2004 until 2008, reappointed until 2016  
Former chair of the Executive Board of the 'Het Muziektheater' foundation in Amsterdam and former Commercial Director of De Nederlandse Opera  
Other positions held: chair of the Supervisory Council of Maastricht University, member of the Advisory Board of the Nexus Institute, board member and treasurer of Europa Nostra, chair of the Supervisory Board of Stichting NJO

#### *Gerard van de Aast (1957), deputy chair, Dutch national*

Appointed on 4 March 2014 until 2018  
Former chair of the Executive Board of Royal Imtech NV.  
Former chair of the Executive Board of Koninklijke Volker Wessels NV, member of the Executive Board of Reed Elsevier and member of the Supervisory Board of Océ NV

#### *Ilonka Jankovich (1963), Dutch national*

Appointed on 13 March 2013 until 2017  
Innovation Investment Manager at Randstad Holding

Other positions held: member of the Supervisory Boards of Exact, Vonq, Brazen, gr8people and Crunchr

#### *Paul Rosenmöller (1956) Dutch national*

Appointed on 1 June 2007 until 2011, reappointed until 2019.  
Chairman of the Secondary Education Council  
Other positions held: chairman of the Healthy Weight Covenant Steering Committee, chairman of the Supervisory Board of the AFM

#### *Jeroen Kremers (1958) Dutch national*

Appointed on 26 January 2012 and reappointed until 2020  
Former Vice-Chairman & Chief Risk Officer, Managing Board, Royal Bank of Scotland NV and Head of Global Country Risk, RBS Group  
Other positions held: member of the senior advisory board of Oliver Wyman Financial Services, member of the Supervisory Board of Robeco, chairman of the Supervisory Board of Bunq

# Our strategy

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Every day, we get our passengers in the Netherlands to their destination in 1.2 million train journeys and hundreds of thousands of bus and tram journeys. That is our job and a task we put our heart and soul into. We are getting better and better at it but we are still not good enough. The bar is set high. Our passengers have to be able to rely on us at all times, but all too often we have kept them waiting, or standing in crowded trains. That is why we are doing all we can to make travelling by train faster and more pleasant, even during the rush hour.

The drama of the Fyra affair and the irregularities in the tendering process in Limburg have brought us into disrepute. Repairing trust is the highest priority at present. But we can only do that by delivering better performance every day for our passengers and by cooperating with other carriers as a good partner in order to ensure sustainable mobility in the Netherlands.

### Our mission, vision and ambition

The main rail network is crucially important to Dutch passengers, who want to be sure of safe, reliable and flexible public transport where they feel they are in control of the journey from door to door. NS is working on sustainable mobility, delivering an important contribution to Dutch climate targets and helping the economic development and the accessibility of the cities and regions. NS does this now and in a changing world in which the European rail market is taking shape and developments such as electric cars, self-driving cars and car-sharing have the potential to dramatically change the mobility market. In the future too, the railways will remain the best way of conveying major traffic flows into the heart of the cities and economic centres in an efficient and sustainable way while linking in with new mobility concepts. NS aims to increase the train's market share in mobility in the Netherlands as a sustainable means of transport.

### Our vision

Over the next few years, NS will be focusing on the Netherlands and on improving operational performance on the railways. Our starting point is the passenger.

*The top priorities for NS are passengers, passengers and passengers.* NS delivers high-quality, sustainable mobility for passengers on the main rail network. This means that trains should run on time and be clean, that passengers should have a reasonable chance of a seat and that this should be achieved for a healthy return on investment. Hospitality, comfort and safety are inextricably bound with this.

*Door-to-door mobility:* Because of its special place in the public transport system, NS can facilitate a smooth journey from door to door. In public transport developments in the Netherlands, NS endeavours to improve the door-to-door journey, and ensure easy connections and a comfortable stay at stations. To achieve this, NS is collaborating transparently with other carriers, government authorities and market players to make public transport more convenient and attractive.

*Europe:* Through its European activities, NS is preparing for further possible liberalisation of the market, while learning and earning money at the same time.

### Our objectives

To achieve its ambition, NS is focusing on three primary objectives:

	2015	2019
Customer satisfaction	74.2%	80%
Passenger punctuality	91.0%	92.3%
Return on equity (ROE)	3.6%	7%

In addition to the three primary objectives, NS will also target safety, sustainability, reputation and business unit-specific themes.

NS plans to achieve its three primary objectives by focusing on nine strategic themes; various activities, projects and programmes with quantifiable objectives have already been initiated within these themes.

### Theme: passengers, passengers and passengers

- **Hospitality:** our passengers can feel confident that friendly and professional help will be available, because hospitality is in de DNA of all NS staff.
- **Operational excellence:** our passengers arrive on time as we improve performance. Our passengers are also satisfied with

the space in the train and cleanliness in the trains, because we not only raise clear expectations but also live up to them.

- Organisational improvements: NS is implementing fundamental changes in the domains of supply chain processes, structure, staff and industrial relations.
- Improved yield: NS aims to achieve its operational objectives in conjunction with a healthy return on investment through long-term growth in revenue, targeted cost savings programmes and cost awareness in decision-making.

#### Theme: door-to-door mobility

- Travelling without barriers: our passengers can travel from door to door without barriers thanks to the public transport smartcard and coordinated timetables created in collaboration with public transport partners.
- Journey information: all passengers can feel confident that they will always be well-informed about how and when they will reach their destination, because the latest information is available for passengers and NS staff.

- Public transport hubs: our passengers enjoy high-quality facilities at our stations (i.e. we offer value), ensuring a pleasant experience and optimum use of time.

#### Theme: Europe

- Through its European activities, NS is preparing for further possible liberalisation of the market, while learning and earning money at the same time.

The Compliance & Ethics theme is also one of NS's key priority areas. NS seeks to help create a level playing field by complying with the new Railways Act and the Competition Act in an unselfish and credible manner, along with the associated compliance measures and ethics. NS aims to meet the highest standards of good governance.



### Responding to developments from within our surroundings

NS sees opportunities as well as threats in the future. The economic outlook remains moderately positive, although continuing geopolitical tensions are causing uncertainty in energy and other markets. NS has already responded to global and national climate and energy policies by making its products and services more sustainable. By aiming for climate neutrality, it is helping move towards solutions that will help us remain within the 2 Degrees Celsius scenario, as discussed in Paris. At the same time, the impact of climate change and weather conditions on rail transport and mobility will increase.

The markets for mobility and franchises are becoming increasingly competitive. However, there is also a greater need for existing and new partners to collaborate with (including partners that may be offering rival services and modes of transport); some examples are FlixBus and Uber, or MobilityMix and Xximo. The emerging sharing economy, combined with technological developments in self-driving cars and electric cars, could dramatically transform the mobility market.

There are still uncertainties surrounding further deregulation. From a European perspective, the shift towards deregulation seems to be slowing down, mainly because private tenders to award franchises remain possible and open access is likely to remain limited in scope. However the centre of gravity for regulations has shifted to an even greater extent from The Hague to Brussels. The result is more European rules and organisations.

The intention is that the current reorientation of NS's strategy will let NS properly anticipate both opportunities and threats. NS wants public transport to remain an attractive and sustainable option for passengers.



This diagram links our strategy up to the materially relevant themes and associated KPIs. These are also linked up to the risks we have diagnosed.

Chapter	Strategic programme	Materially relevant theme	KPI
Perception of the door-to-door journey	Hospitality	Passengers, passengers and passengers	Customer experience
			General customer satisfaction
	Journey information / travel without barriers	Travel without barriers	RepTrak
			Journey information
			% information provided on time
	Hospitality	Safety (including personal safety)	Customer satisfaction with journey information
			Personal safety
	Hospitality, travelling without barriers	Accessibility	Passengers' perception of safety
			Accessibility
	Public transport hubs	Station facilities	Customer satisfaction with seating capacity
			Station perception
	All	Sustainability	Customer satisfaction with stations
			Sustainable mobility
Operational performance	Operational excellence	Punctuality	Perception of NS as a sustainable business
			Punctuality
			% punctual arrivals
	Hospitality	Accessibility	% punctuality for passengers
			Occupancy rates
			Occupancy rates
	Hospitality	Customer satisfaction	Withdrawal of rolling stock for maintenance
			Sustainable operations
			Energy efficiency of traction
		Sustainability	Waste reduction and recycling
	Hospitality	Transparency	Railway safety
			Number of SPADs
			Transparency
	Hospitality	Being an attractive employer	Position on the transparency benchmark
			Staff
			Position in the list of best employers
			LTIFR
			Sickness absence
Risk management	All	Risk management	Risk management
			Management of significant risks
Finances	All	Financial position	Financial position
			EBIT
			ROE
			investments (in €M)

Target for 2015	Achieved in 2015	Risks	Social impact
		Main rail network-franchise, Abellio's strategy	
			socioeconomic
77%	74%		
58 (2024)	52		
		Performance	
79	79.9%		
--	74.3%		
		Safety	
75%	80%		
70%	75.4%		
65%	67%		
top 10 (2017)	15		
		Main rail network franchise, performance, IT reliability, IT continuity	
			socioeconomic
93%	94%		
91.50%	91%		
98.7%	98.7%		
12%	13.0%	Performance	
			environmental
71%	73%		
17% less waste, 60% recycling (2017)	4% reduction compared to 2012 and 32% recycling		
		Safety	socioeconomic
109	95		
		Change programmes	
top 10	4		
		Safety, ethics & compliance	
top 10 (2017)	46		
3.3	2		
4,80%	5.0%		
Progress reports 4x annually	100%		
80	167	Financial returns	
7.0%	3.6%		
675	536		

# Managing risks

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NS is exposed to various risks on a daily basis. We subdivide these risks into strategic, operational, financial (reporting) and compliance risks. Effective risk management is crucial if risks are to be managed properly.

Experiences such as Fyra, the reliability of our services in various weather conditions and the irregularities around the tendering process in Limburg underline the need for much better risk management. Despite putting a great deal of effort into risk management, we are aware that there is room for improvement. Both in hard aspects such as governance, organisation, legislation and regulations and procedures, and in soft aspects such as ethics, integrity and professional attitude. This is also reflected in the report by Alvarez & Marsal. We cannot rule out all risks, but we can ensure that the impact is kept to a minimum. The NS Risk Framework helps make sure that we handle the most important risks appropriately. Explanatory notes for the components of the NS Risk Framework are given below.

### **Organisation, governance and reporting**

The business units and the Executive Board are responsible for managing the risks. NS has risk managers in the business units who support the business by helping to identify the risks and monitoring progress in the management of significant risks. To achieve a more uniform way of working and deploy risk managers a wider remit, the risk managers have been moved within the hierarchy to NS Groep.

The risks for each business unit are reported every quarter and discussed in the ExCo as part of the planning and control cycle. The Executive Board reports to the Supervisory Board and gives an account of the system of risk management and internal control after discussing it with the Audit Committee. As a result of the irregularities that arose during the tender process for the transport franchise in Limburg, it has been decided to move the responsibility for governance, risks and compliance to the highest administrative level. Susi Zijderveld was appointed Chief Governance Risk Compliance Officer (CGRCO) in November 2015. She will start her new role on 1 February 2016. This new position within the Executive Board should contribute to greater professionalism in the business operations within NS and will play an important part in achieving the necessary strengthening of risk management in all respects.

### **Risk management system**

NS has implemented a system for the identification and con-

trol of risks, based on the COSO ERM framework. This is a risk management framework that is used globally. We have the requisite risk management in place in the operational, financial and safety areas. We identify risks, handle them and report on them. The report by Alvarez & Marsal shows that risk management needs improvement on integrity and compliance aspects. Last year, NS started the quantifying the risks and relating them to each other. This will be further expanded upon in the coming year. This will also include the relationship with strategic risk management. Setting up risk management integrally as part of the business and systematically making risk assessments (both fact-based and in the light of approved 'risk appetite') will strengthen the controls. This will help us at NS to detect potential bottlenecks or opportunities at an early stage and make targeted and proactive changes in response.

### **Risk appetite and risk tolerance**

The Executive Committee discussed a theoretical draft of its risk appetite in 2015. This 'risk appetite' is a qualitative decision that gives insight into the extent to which deviations are acceptable in achieving objectives. In terms of deviations from the objectives, we can distinguish between being risk-averse, risk-neutral and risk-tolerant. Further details will follow in 2016.

### **Risk identification and risk management**

NS has introduced a system for identifying and controlling risks. Risk assessments of key programmes, projects and processes are carried out within the business units on a regular basis. The Executive Board discusses the risks periodically. NS records these risks in risk registers. In 2015, NS Risk started advising the ExCo and Supervisory Board on investment propositions above €10 million, for example investments in rolling stock or real estate and bids for franchises in the Netherlands and abroad. NS Risk does this together with Corporate Planning & Control and NS Legal. NS also has 'business control incident regulations'. The objective of the regulations is to use any incidents to gain insights into possible holes in the internal control system and ameliorate them.

### Tools and IT support

NS uses software and voting booths as tools in risk sessions. The past year we also worked with bow-tie analyses to create a better overview of risks, control systems and the impacts. We do not yet have an integrated Enterprise Risk Management tool or system.

### Risk culture

We pay attention to the management of risks within NS. Incidents in the last year have shown that risk awareness within the organisation needs to grow further. It must become part of our DNA, without hindering the business operations. Improving this further is also another task of the newly appointed Board member.

### Statement by the Executive Board

The Executive Board believes that the systems of risk management and internal control concerning the financial reporting risks in the financial year functioned satisfactorily and give a reasonable degree of certainty that the financial reports do not contain any material misstatements. We aim to increase the professionalism of our risk management further. The Executive Board states that as far as it is aware

- the financial statements give a true and fair view of the assets, liabilities, financial position and profits of NS and the companies included in the consolidation as a whole;
- the annual report gives a true and fair view of the situation on the balance sheet date and the course of business during the financial year;
- the annual report contains a description of the principal risks NS is facing.

### Company risks

As part of the business planning process, the Executive Committee (ExCo) has determined the principal risks (eight of them) for the company as a whole based in part on the risks identified in the business units. The ExCo also considered the relationship with the realisation of the strategic objectives (see the chapter on 'Our strategy') and the materially relevant topics (see the chapter on 'Dialogue with our stakeholders'). The company risks can be seen in the risk matrix.

The eight risks plus the changes in the risk profile compared with 2014 are covered in detail below. For the financial risks, please see the chapter on 'Financial risk management' in the financial statements.

### Changes in company risks compared with 2014

NS implemented changes with respect to the company risks listed in 2014.

#### *Risks taken off the list*

Labour relations problems have been removed as a company risk because the collective labour agreement negotiations were completed successfully. We also took various measures to increase personal safety. Additionally, measures have been implemented in the organisation to handle any labour relations problems that may occur as a result of new developments. There are for instance constructive meetings between NS and unions, as well as between the board and the Central Works Council.

#### *New risks*

The risk relating to a level playing field, ethics & compliance is new; it has been included in response to the events around the tendering process for the franchise in Limburg.

#### *Unchanged or differently classified risks*

The other company risks mentioned in 2014 are still seen as company risks in 2015. In some cases these risks have now been placed under a different risk description. This is shown below. The numbering of the risk is shown in brackets.

Risk in 2014	Placed under risk
Complexity of the external environment	Main rail network franchise (1) and Abellio at arm's length (2)
NS's financial position	Financial returns (6)
International growth strategy	Abellio at arm's length (2)
Infrastructure	Performance (3)
Portfolio choices	Change programmes (4)
Implementation of the HSL service	Main rail network franchise (1) and Performance (3)
Major disruptions	Performance (3)
Rolling stock shortages	Performance (3)
Safety incidents	Safety (6)
Terrorist threats	Safety (6)
IT continuity	IT reliability (5)

### Explanation of the company risks for 2015 and in the future

We have categorised the company risks into the COSO risk areas used by NS in the overview below. The overview gives the most important measures for each company risk, shows the trend for controlling it and sets the desired risk profile ● against the current risk profile ●. The current performance is used to make an estimate of the current risk profile.

Risk area	Risk	Measures	Trend	Risk appetite		
				Averse	Neutral	Tolerant
Strategic	<b>1. Main rail network franchise:</b> loss franchise.	Mainly dependent on performance and financial returns. See that is why there are control measures for Performance and Financial returns.	=			
	<b>2. Abellio at arm's length:</b> Possible impact on the results of NS due to the risks associated with operations abroad.	There should be an agreement between the shareholder and NS about the risk appetite, which can help establish the parameters for new bids. There is an ongoing project to quantify a number of risks. Development of a new GRC model in line with NS GRC, paying attention to remote steering and risk management.	=			
Operational	<b>3. Performance:</b> Insufficient performance, resulting in the timetable not being put into effect in line with customer expectations	Focus on 'lean', chain management with partners, purchasing new rolling stock, upgrades to rolling stock, implementation of an alternative offering to the HSL, shortening turnaround times of repairs and maintenance. Additionally, work with unions to examine possibilities for increasing staff productivity.	+			
	<b>4. Change programmes:</b> exceed the capacity of the organisation to change	Start a migration project with focus and clear priorities. Test projects and programmes in terms of their contributions to strategic objectives.	=			
	<b>5. IT reliability:</b> unavailability of critical applications and gaps in IT security	Move IT issues to the Executive Board level, prepare and implement an improvement plan together with the service provider. There is a programme to replace old business-critical systems.	+			
	<b>6. Safety:</b> a major safety incident with passengers and/or staff.	Create a single safety management system and safety control board for railway safety. Personal safety is being improved through agreements with unions about extra safety precautions. Terrorist threats are monitored closely in consultation with NCTB and the security services. There are also scenario scripts.	+			
Financial	<b>7. Financial returns:</b> insufficient cash flow to keep realising strategy.	Collaboration with ProRail and the Ministry to match up planned growth in passenger-kilometres to the infrastructure (Long-Term Rail Agenda). Focus on franchise management at NS Stations. Focus on 'lean' and process improvements at NSR. Increase NedTrain productivity by 25% and decrease rolling stock costs.	=			
Compliance	<b>8. Level playing field, ethics &amp; compliance:</b> not acting honestly and in as required by legislation and regulations.	Appoint a Board member for GRC, implementing recommendations from external audits and setting up a culture programme.	=			

 risk management has improved   
  risk management is unchanged   
  risk management has worsened   
  desired risk profile   
  current risk profile

Given the above overview, NS will be prioritising mitigation of the performance, financial, change programmes and ethics & compliance risks.

## 1. Main rail network-franchise

### Description

The risk that the midterm review will show that NS has not fulfilled its obligations (such as improving the performance or the HSL offering) sufficiently. The franchise authorities can take measures, with the ultimate sanction being the withdrawal of (parts of) the franchise.

### Notes

In 2019, the ministry of Infrastructure and the Environment will carry out a midterm review to check whether the implementation of the franchise by NS has led to the intended improvements. There will also be a comprehensive evaluation of the franchise to see whether the franchise is functioning as intended or adjustments are needed because of new develop-

ments. There is a risk that the franchise authority will decide that it will no longer grant the main rail network franchise to NS in a private tender because the performance and financial return on investment delivered by NS are insufficient. This would weaken NS's position as a railway company, not just in the Netherlands but also in the rest of Europe.

### Measures

The best way to show that NS is the right party to operate the main rail network is to deliver outstanding operational performance. That means making sure our passengers can travel in clean trains, obtain good information and arrive at their destination on time. These are the guiding principles that will lead to an improvement in our reputation (see Risk 3 for additional information). NS is investing in new rolling stock and will continue to do so in the future where necessary. To be



able to carry on making investments, it needs a healthy return on investment and a stable cash flow (see Risk 6 for additional information).

#### **Trend in control**

NS has taken various measures to improve its operational and financial performance. The effects of these measures will largely become clear in the years ahead. At present, risk management has not led to a perceptible improvement and therefore remains in place.

#### **Residual risk**

The current risk profile for operational and financial performance does not yet match the desired risk profile. NS will be closely monitoring the measures it has taken regarding operational performance and the financial return on investment and will implement additional measures if necessary to bring the risk within the desired risk profile.

## **2. Abellio at arm's length**

#### **Description**

NS has a strategy of targeted growth abroad in a limited number of European markets. These activities are handled by the subsidiary Abellio. NS has chosen deliberately to manage Abellio as its shareholder. The decision for an arm's-length solution was motivated by the desire to control the financial risk for NS and its shareholder. This governance model does mean that NS runs the risk of the unexpected discovery of poor performance in foreign operations.

#### **Notes**

The portfolio of foreign franchises has grown in recent years, both in the United Kingdom and in Germany. As a result, poor performance figures for foreign operations have a significant effect on NS's results. By placing Abellio at arm's length (in terms of its management), NS is running the risk of unexpected revelations about performance abroad.

NS and the shareholder need to reach an agreement on the risk appetite that NS should adopt for Abellio so that arrangements can be made with the shareholder about the applicable framework. This applies in particular to future bids for franchises.

#### **Measures**

Abellio has a stable portfolio of franchises and is seeking to consolidate this further by selectively winning new franchises

and retaining current franchises in Europe. Current operational and financial performance are making a positive contribution to NS's results. In view of the growing number of franchises, the trade-off between management at arm's length and risk control needs to be reassessed. Abellio is working on a new governance model, in which particular attention will be paid to this trade-off. Abellio endorses the importance of strengthening governance, risk management and compliance. Abellio is putting this into practice by anchoring NS's GRC framework in the organisation and by ensuring further integration and standardisation throughout the Abellio group. To improve the supervision and quality of its financial management and risk management, Abellio is establishing Audit and Risk committees, which will support Abellio's senior management in the various countries. A project has now started with external support to determine the risk appetite for Abellio by quantifying risks.

A proper link between Abellio's operations and those of NS is safeguarded by the sharing of experience, by means of a benchmark of the main Dutch rail network and through an extensive 'learning' programme.

#### **Trend in control**

As regards the control of Abellio's operations, we have implemented measures and are working on additional measures. The control of the risk associated with Abellio's operations has been set at 'neutral'.

#### **Residual risk**

The current risk profile matches the desired risk profile for the growth objectives. The aforementioned measures and performance are important in retaining the trust of the shareholder. The measures that have been taken (and to some extent have still to be implemented) are being monitored closely.

## **3. Performance**

#### **Description**

The risk that NS will not provide the services in the main rail network and the HSL in accordance with the franchise specifications and additional agreements (for example with regard to punctuality, chance of a seat and cleanliness). This is due to a number of underlying risks:

- There is a risk that NS has insufficient transport capacity and that the operational reliability of the current rolling stock is

not always up to standard.

- There is a risk of the rail infrastructure being insufficiently robust (ProRail).
- In the longer term (2020), technical problems could develop with the ERTMS interface between the infrastructure and the trains while the logistical complexity will increase due to the different ERTMS versions.
- NS also faces a risk in the future of being unable to recruit and retain sufficient qualified staff for train crews and maintenance work.

### Notes

Sound operational performance is crucial for NS. If it does not make improvements it will be unable to deliver on its promises to customers, with negative consequences for its reputation. NS's financial position will also worsen because it is offering a less attractive product, which will put pressure on investments. As described above, this will also affect Abellio's strategic position and the award of the main rail network franchise in the future.

### Measures

A 'step change' via continuous improvements to operational processes and transport chains is needed to bring about systematic improvements in operational performance. We are achieving this through the lean process approach of 'continuously improving' and more intensive collaboration in the transport chain with ProRail, NedTrain, NS Stations and other public transport companies. At the end of 2015, a package of short-term measures was announced to tackle the problem of crowding in the trains in 2016. In addition, we are taking specific measures in the areas listed below.

- Reserve rolling stock is being brought into operation in the short term, while non-essential maintenance and upgrade work will be spread out over a longer period. Furthermore, some of the seating in first class is being converted into second class seating in the Sprinter Light Trains.
- NS is investing substantially in new rolling stock to facilitate the growth in passenger numbers. In the next few years, new Sprinters will be introduced with FLIRT trains at the end of 2016 and SNG trains at the end of 2017. A tender process is under way for a new generation of Intercity trains (from the timetable for 2021 onwards). NS is also deploying rolling stock to replace the Fyra trains until the New Generation Intercity trains are delivered. We are also upgrading the DDM1 rolling stock.

- NS is optimising the availability of rolling stock in day-to-day operations by minimising the removal of rolling stock and ensuring maintenance is carried out well. Various measures have been taken to achieve this, such as the '4Js' project for the right train in the right place at the right time with the right quality, the 'Pitstop' project for better throughput times when tackling malfunctions and lean projects for more efficient and effective processes.
- NS is collaborating intensively with the Ministry of Infrastructure and the Environment and ProRail to make sure that the infrastructure is tailored to the requirements of the intended growth in timetable kilometres. We are collaborating intensively with ProRail on the introduction of ERTMS and the implementation of the Long-Term Rail Agenda.
- NS is investigating the options for improving productivity in cooperation with the trade unions and the Works Council.

### Trend in control

As described, NS has taken numerous measures; additional measures are planned for the future. The initial results from the pilots in the '4Js' and 'Pitstop' projects are very promising. As they are rolled out further, they are expected to have a positive impact on maintenance and repairs. The FLIRT trains will be brought into use in 2016, which means that more capacity will be available. Thanks in part to these developments, the management of this risk has improved. The introduction of SNG rolling stock will also help in the medium term. The management of this risk has improved through the measures that have been taken and are planned, although most measures will only have a visible effect from 2017.

### Residual risk

Despite the measures that have been taken, the current risk profile for the performance does not yet match the desired risk profile. NS will therefore closely monitor the measures that have been taken and are planned regarding performance. We will implement additional risk management measures if necessary to bring the risk within the desired risk profile.

## 4. Change programmes

### Description

The risk that all the changes (taken in combination) exceed the capacity of the organisation to change. That may mean that project results are not achieved on time or within budget. Furthermore, it could lead to an increase in the workload for

the existing organisation, which could have a knock-on effect for operational performance.

#### Notes

Every year, NS has numerous programmes and projects that are designed to help achieve its strategic objectives. From a portfolio perspective, it is important for NS to choose where to deploy its scarce resources. This can be difficult because the external environment sometimes forces NS to make changes.

#### Measures

Portfolio management is an important instrument for properly managing a large number of programmes and projects. NS implemented portfolio management for IT projects at the end of 2015 and further improvements will come into force in 2016. Portfolio management still needs to be worked out in more detail at the group level. In NSR, we are assessing projects and programmes to see how much they contribute to strategic goals such as operational excellence, reputation, safety, finances and the impact on the midterm review. In NedTrain, portfolio management has been part of the management cycle for some time.

#### Trend in control

Improvements have been implemented in portfolio management in NS Reizigers and NS IT and in the major rolling stock projects. However the number of projects has increased. That means there is a need for additional coordination and prioritising, which has not yet become fully embedded at the group level. The overall level of risk management therefore remains the same.

#### Residual risk

The current risk profile does not yet match the desired risk profile. Although measures have been taken, the growing number of projects has made risk management more complex. Additional measures are necessary to bring the risk within the desired risk profile.

## 5. IT reliability

#### Description

The risk that the availability of IT and data security will not attain the desired levels in good time due to delays in the implementation of the IT project 'Voorsprong'.

#### Notes

To run our timetable and deliver our services to our customers, IT systems are needed that are reliable and satisfy the requirements for data security. NS tolerates very little uncertainty in this area as these systems are crucial to our operational performance. NS is therefore working on an integrated IT approach in the TOP IT programme. This is taking place within the 'Voorsprong' project. The project is an important prerequisite for guaranteeing the continuity of IT systems and a satisfactory level of data security.

#### Measures

Recent years have already seen significant progress in the reliability of the IT systems. NS has discussed the reasons for the delay in the 'Voorsprong' project with the service provider at the board level. The service provider will draw up an improvement plan and this plan will be the basis for the further design and implementation of (additional) risk management measures. Furthermore, various older business applications are still running within NS. The decision has been made to replace these rather than improve them, but that takes time and could lead to operational disruptions. We have set up separate programmes for highly critical systems.

#### Trend in control

Despite the delay in the 'Voorsprong' project, many applications have been transferred to a stable IT platform. We are also upgrading old applications to satisfy current and future wishes, although this is happening at a slower rate than we would like. Broadly speaking, risk management has improved but certain benefits from the 'Voorsprong' project still need to be realised. Risk management has improved in the past year.

#### Residual risk

The current risk profile does not yet match the desired risk profile. Risk management will improve further with the implementation of the 'Voorsprong' project and the conversion of business-critical applications. We are monitoring the effects of the transition and will take additional measures if necessary to bring the risk within the desired risk profile.

## 6. Safety

#### Description

This is the risk of a major safety incident involving passengers and/or staff. Safety refers to rail safety, occupational safety,



fire safety, food safety and personal safety at the station and on the train. It also includes terrorist threats.

### Notes

Safety is always a point for attention given its importance for our operations. NS seeks to transport its passengers and staff in a safe manner and ensure their safety at stations.

### Measures

In 2015, NS took additional measures to improve safety further. For rail safety, NS is working on assembling all the available expertise and experience in a single safety management system. There is also an ongoing improvement programme to reduce the number of signals passed at danger further. We are working on the further details of transport chain processes and risk assessment frameworks for dealing with certain rail safety situations. There is also a safety control board. To increase personal safety, NS has reached an agreement with the trade unions on a number of measures including more CCTV monitoring, body cameras and double staff numbers at certain times and on certain routes. Regarding terrorist threats, NS consults closely with the National Coordinator for Counterterrorism and Security (NCTBV) and security services. We have also updated the scenario script on how NS deals with a terrorist threat or a terrorist attack. Finally, NS employees have received instruction on what they need to look out for and what to do in such situations.

In 2015, we adopted an NS-wide approach to occupational safety. This resulted in a decline in the number of occupational safety incidents.

### Trend in control

The safety of our staff and passengers is a top priority. Risk management in this area was already good and has improved further still thanks to the aforementioned additional measures. Despite the measures it has taken, NS cannot rule out safety incidents occurring.

### Residual risk

The current measures are sufficient. Given the nature of this risk, we are closely monitoring the effectiveness of the measures and any new developments. The current risk profile matches the desired risk profile. At present there is no reason to implement additional measures with regard to safety.

## 7. Financial returns

### Description

The risk that NS does not generate enough of a cash flow to realise its strategy in the future because revenues are disappointing and costs rise faster.

### Notes

There is pressure on the growth in revenue. The earning capacity of NS Stations will decline in the years ahead as property is sold off and it no longer runs the retail businesses directly. NS Reizigers depends on the economy and the expansion of capacity in the rail infrastructure for its revenue growth. Finally, NS runs a risk that new fast bus connections between major cities in the Netherlands and abroad will have a negative impact on its revenue growth. As regards the costs, NS runs the risk that the lifecycle costs of its rolling stock may rise faster than revenues due to upgrades and additions to the rolling stock fleet. There is also a risk that IT costs will increase faster than intended due to insufficient corrective adjustments and prioritisation when dealing with IT requests from internal NS customers.

### Measures

NS is currently working on a franchise management model for the exploitation of the retail businesses that entails a shift in focus towards leasing out retail premises under strict contractual franchise agreements that will allow influence to be exerted on the product range and quality. We expect that the impact on results can be kept to a minimum through good letting options in combination with low commercial operation costs. NS is collaborating intensively with the Ministry of Infrastructure and the Environment and ProRail to make sure that the infrastructure is tailored to the requirements of the intended growth in timetable kilometres and will therefore allow an increase in revenue. To keep costs under control, we are working on improving control of process management and restructuring Service & Operations. Lean management is being integrated into the organisation across the board, which should lead to top-quality processes and better financial results. In NedTrain, a process has been started up that will improve the productivity of operational staff by 25% and reduce material costs.

### Trend in control

The elaboration of the TOP Finance programme means that

we have taken a step towards standardising the financial processes, which will make a more efficient and more effective financial organisation possible. As stated earlier, we have also taken additional measures to increase revenue and reduce costs. These measures largely still need to be implemented. We are actively monitoring this. So far, the level of risk management has remained unchanged.

#### **Residual risk**

The current risk profile does not yet match the desired risk profile. The effects of the additional measures are being monitored closely. Additional measures will be taken if necessary to bring the risk within the desired risk profile.

## **8. Level playing field, Ethics & Compliance**

#### **Description**

The risk that NS fails to create a satisfactory level playing field and that NS board members, managers and staff do not act with integrity or in accordance with legislation and regulations, which could damage our reputation and even lead to the loss of our licence to operate.

#### **Notes**

In 2015, NS was in the political and public spotlight in connection with irregularities in the tendering process for the transport franchise in Limburg. This led to increased attention being paid to the need to create a level playing field and for staff to act ethically.

#### **Measures**

NS attaches great value to ethical conduct and compliance with legislation and regulations. NS has therefore decided in consultation with the Ministry of Finance to appoint a Chief Governance, Risk & Compliance Officer at the highest management level. Furthermore, the Code of Conduct has been amended and staff have been informed of this. In addition, Alvarez & Marsal have investigated where NS could and should make improvements. This showed that NS needs to improve its risk assessment and management with regard to the theme of Ethics & Compliance (E&C). The topic should also be covered in the monthly and quarterly reports and should be put on the agenda in ExCo meetings. Finally, there is currently insufficient capacity for the E&C function.

#### **Trend in control**

The external study showed that NS needs to take additional measures to safeguard compliance with legislation and regulations. Measures are also needed with regard to corporate culture and ethical conduct, both 'hard' and 'soft' measures. To achieve the required improvements, NS has drawn up an action plan, which is now ready for roll-out. Progress will be monitored regularly by the ExCo. Risk management is therefore unchanged.

#### **Residual risk**

The current risk profile does not yet match our desired risk profile. The implementation of measures will be followed closely and additional measures will be taken where necessary to improve management of this risk.

# Corporate governance

6





## NV Nederlandse Spoorwegen

NV Nederlandse Spoorwegen is a public limited company under Dutch law. Its registered offices are in Utrecht. The governance of NS, which is a state participation, is based on the modified two-tier company regime. NS has a two-tier management structure. The company is managed by the Executive Board, supported by an Executive Committee and supervised by the Supervisory Board. These two bodies are independent of each other. Both bodies report on the execution of their tasks to the General Meeting of Shareholders (the 'General Meeting'). NV Nederlandse Spoorwegen is the holding company of NS Groep NV.

## Shareholder

The sole shareholder of NV Nederlandse Spoorwegen is the Dutch State. The role of the shareholder is performed by the Ministry of Finance. The General Meeting is held annually, within six months of the close of the financial year.

The matters discussed by the General Meeting include the annual report. The General Meeting also adopts the financial statements and declares the dividend, discharges the members of the Executive Board from liability for their policy work, discharges the members of the Supervisory Board from liability for their supervision and appoints the auditor. Other general meetings can be held as often as is desired by the Executive Board, the Supervisory Board and the shareholder. Resolutions can also be adopted outside meetings.

## Corporate Governance Code

As a large corporation with an important public role of great social significance, and with the Dutch State as our sole shareholder, NS is keen to stress the importance of openness and transparency. Although not a listed company, NS voluntarily applies the Dutch Corporate Governance Code (hereinafter the 'Code'). At NS, the Code is embedded in the rules of procedure for the Executive and Supervisory Boards, the Audit Committee, the Remuneration Committee and the Appointments Committee, as well as in a code of conduct and in a scheme for whistle-blowers. As NS is not quoted on the stock exchange and does not have a one-tier management structure, some parts of the Code do not apply.<sup>1</sup>

## Executive Board

The Executive Board bears the responsibility for managing the business and reports to the Supervisory Board and the General Meeting. It establishes the vision for the company and the resulting mission, strategy and objectives. The Executive Committee is responsible for implementing the NS strategy. Implementation is partly carried out by business units and subsidiaries, which the executive managers are also responsible for. The Articles of Association and the Supervisory Board rules of procedure mean that some decisions by the Executive Board are subject to approval by the Supervisory Board and/or the General Meeting.

The Executive Board is responsible for managing the business in a transparent way, with the aim of providing all stakeholders with a clear understanding of the company's decisions and decision-making procedures.

Executive Board members are appointed by the General Meeting on the recommendation of the Supervisory Board. Members of the Executive Board can be suspended or dismissed by the General Meeting. In 2015 the Executive Board consisted of following people: Mr Roger (R.M.L.H.) van Boxtel, CEO from 1 August 2015, Mr Engelhardt (E.M.) Robbe, CFO. Mr Timo (T.H.) Huges was officially removed from the Chamber of Commerce list of directors appointed under the articles of association on 10 July 2015. New members of the Executive Board are appointed for four years, after which they may be reappointed. As an exception to that rule, Roger van Boxtel has been appointed for a period of a single year. The employment contracts of members of the Executive Board include the right to compensation upon dismissal, up to a maximum of one year's basic salary. Both the Executive Board as a whole and each individual Executive Board member are authorised to represent the company. The Executive Board's responsibilities, tasks and procedures are laid down in the articles of association of NV Nederlandse Spoorwegen and in the rules of procedure of the Executive Board.

The Executive Board performs its tasks in the company's interests. In cases where a (potential) direct or indirect personal interest of a member of the Executive Board conflicts with the interests of NS and this is of material significance to NS and/or the member in question, the member will immediately inform

<sup>1</sup> The following best-practice stipulations are not applicable: II.2.4, II.2.5, II.2.6, II.2.7, III.7.1, III.7.2, IV.1.1, IV.1.2, IV.1.7, IV.2.1, IV.2.2, IV.2.3, IV.2.4, IV.2.5, IV.2.6, IV.2.7, IV.2.8, IV.3.1, IV.3.2, IV.3.3, IV.3.4, IV.3.11, IV.3.12, IV.3.13, IV.4.1, IV.4.2, IV.4.3.

the chairman of the Supervisory Board and other members of the Executive Board. The member will disclose all relevant information, including information about any spouse, registered partner or other companion, foster child and relatives by blood or affinity to the second degree of consanguinity. A member of the Executive Board will not participate in discussions and decision-making about a subject or transaction where their direct or indirect personal interests conflict with the interests of NS. If all members of the Executive Board have a direct or indirect personal interest that conflicts with the interests of NS and therefore no decision can be made by the Board, the decision will be made by the Supervisory Board. The General Meeting also has the power to designate one or more people to act as representatives.

The Secretary of the Executive Board ensures that the proper procedures are followed and that the actions taken are consistent with the legal and regulatory obligations governing the Executive Board's actions. This policy was complied with in 2015.

### Executive Committee

The Executive Committee supports and advises the Executive Board and has decision-making tasks and authorities. This means among other things that the Executive Board is supported by the Executive Committee to help it achieve its objectives and in the implementation and realisation of the strategy as determined at various times by the Executive Board. The Executive Committee consists of members of the Executive Board and three people who are appointed as members of the Executive Committee by the Executive Board. In 2015 these were - other than the members of the Executive Board - the chairmen of the business units and the directors of HR and Communication & Strategy. At least once a year in principle, the Executive Committee discusses its own performance, working methods and the composition of the Committee, as well as any conclusions that may be drawn.

### Supervisory Board

The Supervisory Board has the task of supervising the Executive Board's policies and the general management of the company and its affiliated enterprises, and it also provides the Executive Board with advice. The Supervisory Board performs its tasks in the interests of the company and its affiliated enterprises. The Executive Board provides the Supervisory Board promptly with the information and resources it requires in order to do its work properly. The Supervisory Board's responsibilities, tasks

and procedures are laid down in the articles of association of NS and in the rules of procedure of the Supervisory Board and its committees. The Supervisory Board broadly subscribes to, applies and has complied with the best practices and principles in Chapter III of the Code.

The Supervisory Board also evaluates its own organisational structure and performance. The Supervisory Board as a whole is responsible for performing its duties properly, and its members may adopt positions independently of the Executive Board. Members of the Supervisory Board perform their duties without a mandate and independently of any personal interest in the company.

Supervisory Board members are appointed by the General Meeting, on the recommendation of the Supervisory Board and with due observance of a job profile and after consulting the Central Works Council. The Central Works Council has enhanced rights that let it nominate one third of the number of Supervisory Board members. The Supervisory Board has at least five members and at most nine. The Supervisory Board has drawn up a profile for its size and composition, taking account of the nature and activities of the company and outlining the desired expertise and backgrounds of its members. The Supervisory Board aims for a composition that is well mixed, including a mix in terms of gender and age. The profile is evaluated every three years to ensure it is up to date and accurate.

A Supervisory Board member can be appointed for a maximum of three terms of four years each. The manner in which the Board member fulfilled their duties in the previous term is taken into account, and they will only be reappointed after careful consideration. The retirement schedule for the Supervisory Board has been set up in accordance with the principles of the Code and has been designed to avoid too many Supervisory Board members retiring at once.

In view of the extent, diversity and complexity of the matters it has to handle, the Supervisory Board has set up the Audit Committee and a combined Remuneration, Selection and Appointments Committee. The composition of these committees is determined by the Supervisory Board. The committees provide advice to the Supervisory Board about its tasks and prepare its decision-making. The committees therefore facilitate effective decision-making by the Supervisory Board.

### **Audit Committee**

The Audit Committee performs its duties in accordance with the rules of procedure as approved by the Supervisory Board, in accordance with the provisions of the Code. The Audit Committee advises the Supervisory Board on and scrutinises the annual financial statements, financing and financing-related strategies, fiscal planning and the performance of the risk management and control system. The audit committee consists of two members and one observer member (this is because of the temporarily reduced number of members of the Supervisory Board). The Audit Committee is chaired by the Supervisory Board's financial expert, Mr Jeroen (J.M.) Kremers.

### **Combined Remunerations and Appointments Committee**

The Remuneration and Appointments Committee performs its duties in accordance with the rules of procedure as approved by the Supervisory Board, in accordance with the provisions of the Code. The combined Remuneration and Appointments Committee has three members and is chaired by Mr Paul (P.) Rosenmöller.

The Remuneration Committee draws up an annual proposal for the remuneration policy for members of the Executive Board. The remuneration policy included in the remuneration report for the coming fiscal years is presented to the General Meeting for approval. The Supervisory Board determines the remuneration of individual Supervisory Board members based on the proposals from the Remuneration Committee, within the limits of the remuneration policy established by the General Meeting. The remuneration report can be found under Note 2 of the financial statements.

The Appointments Committee decides the selection criteria and procedures for appointing members of the Supervisory and Executive Boards, as well as periodically reviewing the size and composition of the Supervisory Board and proposing a profile for its makeup. It also prepares a report for the Supervisory Board on its own performance and makes recommendations for the appointment and reappointment of members of the Supervisory Board.

### **External auditor**

The external auditor is appointed by the General Meeting. The external auditor reports to the Supervisory Board and the Executive Board on the audits performed and presents the re-

sults of the audits in an audit opinion concerning the truth and fairness of the financial statements.

The Audit Committee, acting on the Supervisory Board's behalf, is directly responsible for overseeing the work of the external auditor. At least once a year, the Audit Committee prepares a joint report together with the Executive Board for the Supervisory Board regarding developments concerning the external auditor, and in particular the latter's independence. Once every four years, the Audit Committee and Executive Board also jointly carry out a thorough appraisal of the performance of the external auditor. The findings of this review are presented to the General Meeting and the Supervisory Board. The external auditor attends those meetings of the Supervisory Board at which its report on the audit of the financial statements is discussed and which deal with the adoption of the financial statements. The external auditor also attends the meeting of the Supervisory Board held to discuss the six-monthly figures. EY is the external auditor from the financial year 2014 onwards.

### **NS Audit**

Internal auditors perform their duties under the aegis of the Executive Board. The results of their work are discussed with the Audit Committee. The Executive Board ensures that the audit committee is involved in setting up the working plan and that it is agreed with the external auditor.

### **Organising sustainability**

Sustainability of the business practices is safeguarded through a formal organisation consisting of a Council for Sustainable Business Practices, a Working Group for Sustainable Business Practices, a Communications Working Group and a number of temporary task groups. This organisation is supported by a Sustainable Business Practices Programme department, which was set up in 2010 (three FTEs with an annual budget of €250,000). The Council, which includes the directors of the business units and is chaired by the Chairman of the Board of NedTrain (a member of the Executive Committee and responsible for sustainability), has the task of preparing decisions and policies. Proposed resolutions and policies to be implemented by the business units and/or staff groups are submitted to the Executive Committee for approval. There are also (communications) representatives of the NS business units in the working group and communications working group for Sustainable Business Practices. Sustainable mobility is one aspect of

the strategy of NS. This strategy is translated into plans and KPIs by business units. The plans relate to the three strategic themes of Energy, Waste and Encounters & Connections.

The progress and development of the sustainability results have been observed and managed by the regular planning, control and reporting cycle since 2010. Since 2012, NS has used a CSR reporting manual that specifies how sustainability information should be validated and reported in the monthly, quarterly and annual reports. Investment proposals should include sustainability impact reports.

A mandatory sustainability target was set in 2015 for the variable remuneration of senior NS management.

In accordance with the Code, the Executive Board is responsible for the aspects of Corporate Social Responsibility (CSR) that are relevant to NS. The Executive Board reports on this to the Supervisory Board and the General Meeting.

### **Ethics & compliance**

The Executive Board bears the final responsibility for compliance. Compliance is a line management responsibility. The management are responsible for the proper control of the compliance risks within their own areas. The various responsibilities derived from this are handled by the Ethics & Compliance function of NS, led by the NS legal staff director:

- supporting and advising the Executive Board and line management in identifying, assessing and managing compliance risks and the choices to be made;
- informing and advising NS members of staff about compliance to encourage ethical behaviour.

Ethics & Compliance is involved in the identification and analysis of compliance risks, preparation of policy, communication, training and awareness, monitoring and reporting on compliance and ethical behaviour. Ethics & Compliance collaborates with various NS staff departments that are also involved. Ethics & Compliance includes not only the short-term company interests in its assessments but also the long-term interests. This is in order to manage compliance risks and to maintain a good reputation in the market, both with NS customers and other stakeholders.

One of the priority areas in the 2015 Ethics & Compliance programme was support for establishing and launching the revised NS Code of Conduct and the associated provisions

for promoting ethical conduct and avoiding infringements. The revised NS Code of Conduct was launched at the end of 2015. Further communication and training to support the NS Code of Conduct will take place in 2016.

### **Consideration for privacy**

Caring for the customers also means being careful with their data. In accordance with the Dutch Personal Data Protection Act and the Corporate Governance Code, the Executive Board of NS bears final responsibility for the proper observance of the applicable privacy legislation. NS urges the business units to adhere to the privacy rules. NS has a proactive privacy policy aiming to ensure that the administrative processes involving passengers and staff comply with the legal criteria for appropriate and careful data processing. NS has published its Privacy Statement at [www.ns.nl/privacy](http://www.ns.nl/privacy).



# Careful conduct and careful working

7

rsplein



It is very important to NS as a key part of society that it should act and work with due care and in a responsible manner, and account for what we do. In 2015, the organisation's integrity was at issue in the tendering process for public transport in Limburg. NS is drawing lessons from this and taking structural measures to safeguard ethical conduct in the organisation.

In February 2015, the province of Limburg announced that the NS subsidiary Abellio would be providing public transport services in Limburg for 15 years. On 28 April, NS announced that irregularities had occurred during the tendering process. The irregularities in the tender in Limburg concerned the hiring of a former employee of Veolia via a bogus arrangement. This employee shared information about Veolia with the Qbuzz bid team. We immediately informed the province of these irregularities as soon we learned of them. NS also reported the irregularities to the Public Prosecution Service and promised our full cooperation. The province of Limburg withdrew its award of the franchise to NS; in June, it announced that it had opted for Arriva.

### External investigation into irregularities

Signs that there had been irregularities in the preparation of the bid came to light in March 2015. Following this, the law firm De Brauw Blackstone Westbroek was instructed to carry out an investigation. These external investigations resulted in an interim report on 28 April and a final investigation report on 6 November. It showed that there had indeed been irregularities during the tendering process for public transport in Limburg. These irregularities seem to be a one-off incident, but nevertheless an incident that compels us to take structural measures. Various internal procedures are not up to standard and the procedures also need to be observed and enforced more strictly.

To evaluate the quality of De Brauw's investigation and report, a verification was performed by the former national ombudsman Prof. Alex Brenninkmeijer. De Brauw arranged for its own verification of its study by the former judge Wil Tonkens-Gerkema LLM. Both concluded that there is no sign that the study was insufficiently impartial. They also made recommendations for an improved setup for similar studies in the future.

Although there were no indications of similar irregularities in other tenders for public transport franchises in the Netherlands or abroad, NS still commissioned an independent investigation into them, coordinated by the law firm Jones Day.

This investigation covered about 20 franchises. No evidence was found of irregularities in the Netherlands or abroad. The reports by De Brauw and Jones Day and the verifications by Prof. Brenninkmeijer and Ms Tonkens can be found (in Dutch only) at [www.rijksoverheid.nl/documenten](http://www.rijksoverheid.nl/documenten).

### Consequences in terms of labour law

NS arranged for an additional investigation into the possible involvement of senior NS management in the irregularities in Limburg. Conflicting statements were made regarding this involvement, which ultimately resulted in the departure of the then CEO, Timo Huges. On 6 August, NS and Mr Huges reached an amicable agreement on settling the termination of his employment contract. This avoided lengthy, costly legal proceedings for settlement of the employment contract.

At the end of 2015, labour law proceedings related to the irregularities were still ongoing.

### Inspection by the ACM: infringement of the Railways Act

The Netherlands Authority for Consumers and Markets (ACM) concluded that NS had violated the Railways Act in certain respects in the tendering process in Limburg. According to the ACM, NS did not make other carriers a timely or reasonable offer for the use of ticket machines, the rental of staff areas, and the placement of public transport smartcard posts and service points. Furthermore, confidential company information from other companies was shared within NS. Following this, NS is taking measures to ensure that a comprehensive, timely and reasonable offer is made for the use of services operated by NS within a period set by the ACM.

### Investigation by the Public Prosecution Service

The Public Prosecution Service (specifically, the Office for Financial, Economic and Environmental Offences in 's-Hertogenbosch) started an investigation in 2015 into possible criminal acts in connection with the tendering process for public transport in Limburg. The investigation is focusing on the actions and circumstances surrounding an alleged ar-



management regarding the disclosure of business secrets. The suspected parties include the companies NS Groep NV, Qbuzz BV, Abellio Transport Holding BV and Abellio Nederland BV. In February 2016, the Group received the final report on the investigations. Over the coming period, the Public Prosecution Service will assess the evidence and consider the possible follow-up steps.

### Investigations into internal procedures

The research and consultancy firm Alvarez & Marsal was commissioned by the Supervisory Board and the Minister of Finance to carry out a thorough analysis of the effectiveness of the existing internal procedures, risk management, compliance and checks within NS and all its subsidiaries. The final report appeared in January 2016. NS has taken additional measures based on the Alvarez & Marsal report to refine internal procedures and checks and it has drawn up an action plan. NS aims to have implemented the recommendations by the end of 2016. These measures include the following:

- Risk management and compliance will be explicitly included in the list of management's duties and in the business plans.
- A single accessible and visible desk will be set up where employees can report ethical issues and possible abuses.
- The screening of new employees, external staff and the purchasers of property will be tightened up.
- Purchasing department officers will receive regular training in changes to legislation and new case law.
- In 2016, NS is permanently anchoring risk management at the required level under the leadership of the Chief Governance, Risk & Compliance Officer, with particular attention being given to preventing risks and ethical issues.
- Also in 2016, NS is starting a broad corporate culture programme that will address all aspects of corporate integrity.
- There needs to be more room in NS for critical questions, contrary opinions, and holding people to account for their conduct.
- NS is raising awareness amongst management and staff about applying the code of conduct.
- The governance relationship between NS and Abellio is being revised to ensure a sound balance between management at arm's length and controlling risks by taking appropriate governance, risk and compliance measures.
- In the area of risk management, steps are being made towards further integration and standardisation within the Abellio group.
- Abellio is implementing strict procedures for information

management in all bid processes in all the countries in which it has operations.

The Alvarez & Marsal report and the action plan can be found at [www.ns.nl/over-ns](http://www.ns.nl/over-ns).

### Appointment of a new director

One of the structural measures that NS took following the irregularities was the appointment of an executive officer for governance, risk management and compliance. Susi Zijderfeld started work on 1 February 2016 as Chief Governance, Risk & Compliance Officer (CGRCO). The CGRCO will help make NS's business operations even more professional and enable the desired change in the corporate culture.

### Parliamentary inquiry into Fyra

In December 2012, NS introduced new high-speed trains of the type Fyra V250 for the connection between Amsterdam and Brussels over the HSL South. The Fyra V250 trains were taken out of service after only a few weeks. The immediate reason was an incident in which a floor plate fell off. Based on a detailed investigation, NS came to the conclusion in June 2013 that continuing with the V250 was neither desirable for passengers nor justifiable from a commercial perspective. The problems concerning the Fyra V250 and the public outcry prompted the Dutch Lower House to start a parliamentary inquiry. The key question in the parliamentary inquiry was why the originally envisaged transport solution on the HSL South had not yet been implemented. After an examination of the facts and interviews in camera, the committee held public hearings in May and June 2015. It published its final report with recommendations – *De reiziger in de kou* ('Passengers left in the cold') – at the end of October.

### Measures

The introduction of the Fyra V250 turned into a major disappointment for passengers and NS: we were unable to deliver on our ambitions and promises. NS wants to use the lessons learned from the failed introduction of the Fyra V250 trains and the inquiry findings to implement improvements. NS has already initiated a number of measures and allocated responsibility for them at the highest level. We are investigating whether and how the connection with Brussels can be made faster and whether the new Intercity rolling stock can be adapted for use on the HSL. We are also being transparent with respect to our stakeholders about the possible scenarios.

Furthermore, we are linking the recommendations by the parliamentary inquiry committee to those in the internal and external reports following the Limburg affair (see above). That applies where actions are tied to the corporate culture and conduct.

Some of the measures taken by NS:

- Responsibility for rolling-stock projects (ICNG, SNG and FLIRT) has been assigned to a single programme director. This ensures a uniform approach in the management of such programmes and reporting on them. The programme director reports directly to the NS CFO.
- NedTrain is involved in tendering processes from the start. This gives NedTrain sufficient time to integrate the maintenance concept for the new rolling stock into its work processes and to learn from the design and production stages. The supplier can also learn from NedTrain's experience in maintenance and train reliability.
- To prevent project delays, the Human Environment and Transport Inspectorate (ILT) and ProRail are involved in the design and construction of the trains from an early stage. This helps ILT fulfil its role in the overall process in an optimum manner.
- We actively manage the risks when new rolling stock is being constructed. We only select reputable suppliers that have ample experience in supplying comparable rolling stock. In our specifications, we stick as closely as possible to the industry standards and proven concepts and technology. Suppliers are audited in the selection phase and a quality management system is set up that has safeguards for the quality at all stages in the process.
- In the preliminary phase of the tendering process, NS holds consultations with market players so that it can be sure that the requirements made by NS are indeed feasible. NS adjusts the specifications where necessary. When ordering new rolling stock, the guiding principle is that existing technology should be used wherever possible.



# Finances in brief

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Revenue in 2015 was €4,973 million. NS invested €536 million last year, mainly in trains and stations. A profit of €118 million was recorded in 2015; the profit in 2014 was €180 million.



## Consolidated income statement 2015 for NV Nederlandse Spoorwegen

(in millions of euros)

	2015	2014 *
<b>Revenue</b>	<b>4,973</b>	<b>4,144</b>
<b>Operating expenses</b>	<b>4,876</b>	<b>3,863</b>
	<b>97</b>	<b>281</b>
Share in result of equity accounted investees, accounted for using the equity method	70	40
<b>Result from operating activities</b>	<b>167</b>	<b>321</b>
<b>Net finance income</b>	<b>-23</b>	<b>-35</b>
<b>Profit before income tax</b>	<b>144</b>	<b>286</b>
Income tax	-26	-106
<b>Profit for the period under review</b>	<b>118</b>	<b>180</b>

\* The revision of the comparative figures is the result of changes to the accounting policies (see pages 107 to 111).

## Operating revenue

Revenue was €4,973 million in 2015 compared with €4,144 million in 2014

### Revenue from passenger transport

Revenue from passenger transport increased by €821 million to €4,384 million, primarily due to the start of the ScotRail franchise on 1 April 2015.

### Revenue from rail passenger transport in the Netherlands

Revenue from passenger transport increased by €63 million to €2,305 million due to the annual price indexation and growth in the number of passenger-kilometres. NS Reizigers achieved

### Specification of operating income

(in millions of euros)	2015	2015	2014	2014
	€	%	€	%
Revenue from passenger transport *)	4,384	88%	3,563	86%
Revenue from station development and operation	610	12%	620	15%
Revenue from other activities	42	1%	58	1%
Intra-group eliminations	-63	-1%	-97	-2%
	<b>4,973</b>	<b>100%</b>	<b>4,144</b>	<b>100%</b>
*) of which Abellio:	2,084	42%	1,320	32%

higher revenue because it had more season ticket holders in the consumer market. Revenue in the corporate market was the same in 2015 as in 2014. However, there was a shift in

the revenue with more company card providers. Furthermore, business customers are increasingly choosing to pay for individual journeys instead of season tickets. NS achieved slightly higher revenue from the student cards contract in 2015 due to a slight increase in the number of students and the annual price indexation.

#### Revenue from rail passenger transport abroad

The revenue from passenger transport by rail in the United Kingdom provided by Abellio was €1,575 million in 2015. This is €713 million more than in 2014, primarily due to the start of the ScotRail franchise. The rise in the sterling to euro exchange rate also had a positive effect on revenue. In Germany, Abellio recorded revenue of €78 million (2014: €78 million).

#### Revenue from passenger transport by bus

Revenue from bus operations in the Netherlands provided by Qbuzz was €209 million, compared with €204 million in 2014. The increase was largely due to more revenue from the BRU/Utrecht franchise.

An increase was also recorded in the revenue from the bus operations in the UK. Revenue rose from €178 million in 2014 to €238 million in 2015, in part due to the start of new franchises. Revenue in euros also increased due to the rise in the value of the pound sterling compared with the euro.

#### Revenue from station development and operation

Overall revenue from station development and operation remained at the same level as in 2014. NS Stations saw revenue from retail operations increase by €21 million to €400 million. The revenue from property development and commercial operation fell by €31 million, mainly as a result of lower property sales and less revenue from development.

#### Revenue from other activities

The 'other activities' comprise the revenue from the supporting business units, such as NS Insurance and NS Spooraansluitingen (sold on 2 July 2015). The intra-group revenues of the holding company staff departments are also accounted for here.

<b>Operating expenses</b>				
(in millions of euros)				
	2015		2014	
	€	%	€	%
Wages, salaries and social security charges	1,680	34	1,375	36
Other personnel expenses	69	1	71	2
Staff hired in	124	3	100	3
Depreciation, amortisation and impairments	330	7	332	8
Raw materials, consumables and inventories	504	10	473	12
Capitalisation of in-house production	-115	-2	-137	-4
Contracted-out work and other external costs	481	10	450	12
Infrastructure levy and franchise fee	852	17	779	20
Other operating expenses	951	19	420	11
<b>Operating expenses</b>	<b>4,876</b>	<b>100%</b>	<b>3,863</b>	<b>100%</b>

## Operating expenses

NS's operating expenses rose from €3,863 million in 2014 to €4,876 million in 2015, mainly due to the start of the ScotRail franchise.

#### Wages and Salaries

Wages, salaries and social security charges rose from €1,375 million in 2014 to €1,680 million in 2015. This is largely due to an increase of 4,786 FTEs in the number of employees following the start of the ScotRail franchise. As a result, the total number of FTEs rose from 25,532 to 30,565 in 2015.

The wages and salaries of the employees in the Netherlands increased by 2.7%, in part due to the collective labour agreement concluded in 2015. In 2015, €96 million was paid in pension contributions for staff covered by NS's own and other collective labour agreements (€57 million in 2014). Two thirds of the pension contribution remitted for staff covered by the NS collective labour agreement is borne by the company and one third by the employees.

#### Infrastructure levy and franchise fee

The access charges for the rail infrastructure (infrastructure

levy plus franchise fee) increased by a total of €73 million to €852 million (€779 million in 2014). The access charge for the Dutch rail infrastructure fell from €394 million in 2014 to €375 million in 2015. The access charges in the United Kingdom totalled €443 million (€357 million in 2014) and the charges for the German rail infrastructure were €34 million (€28 million in 2014).

### Other items

The depreciation, amortisation and impairment costs re-

mained virtually the same 2015. There were no significant impairments in 2015. The costs for the use of raw materials and consumables, stocks, energy and subcontracted work also remained about the same as in 2014.

The other operating expenses increased by €531 million in 2015 compared with 2014. This is mainly due to the start of the ScotRail franchise and because one-off income items were recorded in 2014 that did not recur in 2015.

<b>Underlying result from operating activities</b>		
(in millions of euros)		
	2015	2014
Result from operating activities	167	321
Settlement of the V250 case with the manufacturer AnsaldoBreda/impairment for V250 rolling stock	0	-44
Withdrawal from provision for onerous HSL South contract	0	-174
Release from liability for upgrading rail connections	0	-26
Disposal of TLS	-36	0
Miscellaneous restructuring expenses	16	5
Completion of various claims	55	0
Other items	10	2
<b>Underlying result from operating activities *)</b>	<b>212</b>	<b>84</b>
*) Of which the underlying result of Abellio was	49	3

## Underlying result from operating activities

Our financial position needs to be sound if we are to achieve our ambitions. In addition, investments must produce sufficient returns to ensure the company's continued existence. This is also in the public interest. The development in the underlying result from operating activities is a good yardstick for this. It shows the result from business activities after eliminating exceptional items.

The underlying operating result increased by €128 million to €212 million in 2015 (from €84 million in 2014). In the main rail network, higher personnel expenses, costs for the maintenance of rolling stock and costs to combat aggression directed against staff were more than offset by higher transport revenue. Abellio recorded better operating results, in particular for Greater Anglia and the new ScotRail franchise. The underlying operating result for NS Stations in 2015 was virtually the same as in 2014. Finally, NS achieved cost savings through the implementation of objective setting for staff departments.

### ROI

The return on invested capital (ROI) decreased to 3.5% in 2015 (7.1% in 2014). Based on the underlying result, the ROI increased from 1.9% to 4.5%. In the longer term, NS seeks to achieve a return on invested capital that is in line with the market. The return on investment achieved in 2015 is still insufficient. The long-term financial outlook is challenging. Further improvement programmes are needed. At NS Reizigers, work is being done on improving control through process management in the NSR Transport department and the Service & Operations department is being reorganised. Lean management is also being integrated into the organisation across the board, which should lead to excellent processes and ultimately to better financial results. The financial position in the long term is addressed in the business plan. Increasing the quality and improving the cost efficiency of the support departments will help improve the return.

## Net finance income

The net finance income was a negative amount of €23 million (negative amount of €35 million in 2014). The 2015 figure is



an improvement on 2014 because of a reduction in the accrued interest on provisions.

## Income tax

The effective tax rate for the result before corporate income tax is 18%, compared to 37% in 2014. Corporate income tax of €26 million was liable over 2015 (2014: €106 million). The decline in the effective tax rate was primarily due to a larger downward value adjustment of the tax asset due to the tax compensation of losses in 2014 (€17 million in 2015 as opposed to €50 million in 2014). Corporate income tax was calculated on the basis of the applicable tax rates, taking the tax rules into account. The valuation of temporary differences was also taken into account. The tax rules include participation exemption, tax compensation of losses and the notional addition for costs that are not deductible in full.

### Other tax information

Payroll tax is a tax that NS, as the employer, withholds from the salaries of employees and then pays to the tax authorities. The figures in 2015 were €383 million for the Netherlands, €3 million for Germany and €109 million for the UK. NS's costs are largely subject to the high VAT rate. NS can set off the turnover tax that is charged against the turnover tax that it has to pay on its revenues. Most of NS's revenues are taxed at the lower or zero rates of turnover tax. Taken over the year as a whole, on balance there is a net receipt of VAT. In the Netherlands this balance resulted in receipts of €9 million, plus net receipts of €10 million in Germany, net receipts of €129 million in the UK. Corporate income tax is paid on the fiscal profit. The net balance was that €3 million was corporate income tax was received in the Netherlands in 2015. These receipts were the consequence of the tax authorities paying back excess provisional payments made in previous years and a provisional agreement on the settlement of losses. A net sum of €6 million was paid in Ireland in 2015. The explanation above only refers to items of €1 million and more.

## Profit for the period under review and profit appropriation

A profit of €118 million was recorded in 2015. A proposal will be made to pay a dividend of €41 million, which is 35% of the result for 2015, and to add the remaining €77 million to the reserves.

## Financing

The net cash flow from operating activities was €441 million (€444 million in 2014). The investments required a net outgoing cash flow of €540 million (€436 million in 2014). The net outflow from cash and cash equivalents to deposits was €47 million (compared with an inflow of €8 million in 2014). This transfer has been classified as part of the cash flow from investment activities, which partly explains the overall cash flow from investment activities of €509 million (€374 million in 2014). A dividend of €48 million was paid to the State in 2015. The above flows resulted in a negative cash flow of €115 million (in 2014 there was a positive cash flow of €6 million). The working capital fell by €344 million (as opposed to an increase of €201 million in 2014), mainly due to an increase in loans and other financial liabilities.

## Equity

At the end of the year under review, equity was €3,309 million (€3,216 million in 2014). The profit for the period of €118 million was credited to equity. The return on equity (ROE) was 3.6% in 2015 (5.8% in 2014). Solvency, at 53%, was slightly down on last year (55% in 2014).

## Financial position

The robustness of NS's financial position is clear from the structure and the composition of its capital, the available cash and cash equivalents and the fact that it has committed credit facilities. A proportion of the current loans may have to be refinanced in 2016. Standard & Poor's (S&P), a reputable agency that investigates the financial position of companies, has given NS Groep NV a credit rating of AA- (based on an underlying credit profile of a single A, currently raised by two steps due to its connection to the shareholder, the Dutch State). In part because of the main rail network franchise for 2015-2024, NS will be making substantial investments over the next few years in trains, stations and systems. Based on the NS business plan and the initiatives it contains for improving results, NS expects that the available cash flows, the financing capacity and the availability of a residual value scheme for the rolling stock will be sufficient to let it carry out its investment programme of approximately €6 billion in the period through to 2024. The realisation of these improvement initiatives will require a substantial effort from the entire NS company over the next few years.

## Investments

NS invested €536 million in 2015 (€461 million in 2014), mainly in the implementation of the HSL solution, the purchase of Stadler FLIRT trains and New Generation Sprinter trains and the installation of toilets in the Sprinter trains. NS Stations' investments included work on refurbished stations in

Utrecht, The Hague and Breda, and in retail formats. In addition, investments were made in systems that facilitate staffing and rolling stock adjustments. At the end of 2015, NS had €941 million in cash and cash equivalents and financial investments. This will be used over the next few years in part for the financing of investments in trains and stations.

### Key financial figures for 2015 and 2014

	2015	2014
<b>Relating to the capital position</b>		
Capital base/total assets	53%	55%
Current assets/current liabilities	0,9	1,2
Working capital <sup>1</sup> in millions of euros	-1,037	-693
Total assets (in millions of euros)	6,286	5,881
<b>Relating to profitability</b>		
Result from operating activities/revenue (ROS)	3.4%	7.7%
Result from operating activities/average invested capital (ROI) <sup>2</sup>	3.5%	7.1%
Profit for the period/average equity (ROE)	3.6%	5.8%

<sup>1</sup> working capital: inventories plus current receivables minus current liabilities.

<sup>2</sup> invested capital: total assets less non-interest-bearing current liabilities.

# Scope and reporting criteria

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## Combined report

In the NS 2015 annual report, the performance of NS, the social aspects of that performance and the financial results are presented as an integrated whole. This choice has been made deliberately. NS is a company with a social function. Passenger transport by train and the commercial operation of stations and their surroundings are intrinsically important to society. Other social aspects, such as care for the natural and social environment, are thus also an integral component of the business operations of NS.

## Reporting criteria

NS bases its reporting on the Global Reporting Initiative (GRI) version 4 guidelines. The GRI guidelines are the most widely accepted guidelines worldwide for preparing non-financial annual reports. The guidelines themselves can be found on [www.globalreporting.org](http://www.globalreporting.org). The sustainability information in the 2015 annual report is reported by NS in accordance with the Comprehensive option of the G4 GRI guidelines and internal reporting criteria.

NS commissioned EY to provide the external assurance for the report. You can find the assurance report by EY on page 196. It contains an opinion (with a reasonable level of assurance) of a number of selected parameters and a conclusion (with a limited level of assurance) regarding the chapters 'The Profile of NS', 'Report by the Executive Board', 'Report by the Supervisory Board', 'Our Strategy', 'Finances in Brief', 'Scope and Reporting Criteria', 'Activities in the Netherlands' and 'Abellio'. The chapter 'Activity Report' details the realisation of the performance indicators in the 2015 Transport Plan; this belongs to that part of the assurance scope where a limited level of assurance is given. NS feels that external assurance is important because it generates more certainty that the information given is accurate.

### Indicators

The selection of the indicators is based on the GRI method, the Transport Plan 2015, the discussions with our interested parties and the material relevance matrix derived from them. The information that we report is based where possible on measurements and calculations (e.g. for electricity consumption). Other data is taken from central administrative systems (e.g. HR data) or based on information provided by third parties (e.g. waste). If there have been changes in the definitions, measurement methods or the inherent limits in the data or if extrapolations or estimates have been used, this is specified in the report, the definition cards for the performance indicators in the Transport Plan 2015, or the reporting criteria. The last two of these can be

found (in Dutch only) on [www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen) and the definition cards for the performance indicators in the Transport Plan 2015 in [www.ns.nl/jaarverslag](http://www.ns.nl/jaarverslag) (in Dutch).

### Sustainability data

Sustainability has been part of the regular planning and control cycle since 2010. This means that the data is reported in the monthly reports. The processes for collecting and validating the data are described in the CSR Handbook. The internal validation procedures are performed by our auditors. They examine deviations in the data with respect to previous reports, consider the plausibility of the data in the reports and request supporting evidence where necessary.

The financial reporting criteria are included in the notes to the consolidated financial statements.

## Scope

The scope of the report has been determined on the basis of an analysis of material relevance. This means that we are reporting on the materially relevant topics and drawing on the insights given by this analysis when making choices about the amount of detail and limits of our reporting on these topics. The material relevance matrix shows both the theme's importance to stakeholders and the impact or influence NS has. Themes where NS has little impact or that are not seen as so important by stakeholders are not included in the report. Abellio was involved in the Dutch dialogue with stakeholders.

The report covers the 2015 financial year, which ran from 1 January 2015 to 31 December 2015. This report primarily concerns NS's activities in the Netherlands. The activities in the United Kingdom and Germany are also discussed where they involve operations in which NS holds a stake of more than 50%. All data has been measured unless stated otherwise in the methodology. Any estimates are carried out using the prescribed procedures from our Reporting Manual and then checked. An explanation of the margins of uncertainty in the data quantifying our impact can be found (in Dutch only) at [www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen). We report on the transport chain as a whole where procurement is concerned or where our process of value creation gives reason to do so. The choices we have made in this regard are specified under value creation. Where information covering the whole transport chain is reported, this is explicitly stated. Generally speaking, the report does not cover subcontractors or suppliers. In those parts of the report where this does occur, this is explained. Acquisitions are included in the data from the date of acquisition, disinvestments are listed until the date of disposal.



# Outlook for 2016

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NS wants to restore confidence in 2016 and raise our performance to a level that is in line with those ambitions. But we will also be demanding a great deal from our Dutch passengers in the year ahead.

The schedule requires numerous interruptions to services around Utrecht Centraal, especially in the weekends and during holiday periods. Work is being carried out on the tracks elsewhere too. Utrecht is not the only station undergoing alterations: Breda and Eindhoven are also in the middle of renovation work. A number of routes will also remain very crowded during peak hours for the time being. We are doing everything we can to alleviate the situation. At the end of December, we presented an action plan: we are deploying all the available rolling stock, renovating old double-decker trains and reducing problems with buses, as well as providing customised journey information and alternatives. But passengers need to still allow for the fact that they may have to stand during short journeys.

Fortunately, all these renovations and the work on the tracks are a sign of progress. NS and ProRail are making substantial investments in better public rail transport. Utrecht Centraal is almost finished and is sure to be a fantastic hub. It will be three times as big as before, able to cope with 100 million passengers a year, with facilities that meet the needs of our passengers. The upgraded track will offer more capacity for trains. By the end of the year, the first new Sprinter trains are expected to be criss-crossing the Dutch countryside. These trains, made by Stadler, herald the arrival of yet more Sprinter trains (manufactured by CAF) on our railways from 2018. From that year, our trains in the Netherlands will be running entirely on green power; green electricity will already account for 75% next year. In 2016 the new OV-fiets (public transport bicycles) will be appearing in our streets and we will be improving bicycle facilities at stations with Fiets & Service. In short, Dutch rail passengers will see real progress after 2016.

Cross-border improvements are also in the pipeline. The frequency of the Intercity direct and Thalys services will be increased further still. From 2017, the IC Brussels service is expected to run on the HSL via Breda. This will be an exciting year for our foreign operations: in December, Abellio submitted a bid for the Greater Anglia franchise and we will hear whether we can continue to deliver services there in June. The Northern Rail franchise will finish at the end of March 2016. Abellio has various bids in the pipeline in Germany.

We can only achieve good results and improvements for passengers throughout the transport chain by collaborating properly with our partners and through the absolute dedication of staff. We are working further on creating a safe and inspiring working environment for all our colleagues. NS has initiated measures to improve the corporate culture and structure. On 1 February 2016, Susi Zijderveld joined the Executive Board as Chief Governance, Risk & Compliance Officer. We will be continuing to work with ProRail in 2016 on the further implementation of the Long-Term Rail Agenda in the Better & More programme. This includes the high-frequency timetable along what is known as the 'A2 corridor' between Eindhoven and Amsterdam. On a smaller scale but possibly just as important: we are collaborating with ANWB (Dutch Automobile and Cyclists' Association) this year in a search for start-ups with innovative mobility solutions. We want to use the power of entrepreneurs starting new businesses to make travelling more enjoyable. To achieve this, we have created an innovation fund.

NS's top priority remains the provision of a reliable service for our passengers every day. That means clean trains that run on time, and a high probability of getting a seat. We continue to give punctuality our full attention, as we do customer satisfaction and personal safety. To achieve this, we are now reviewing our strategy. A prerequisite is that NS should be and must remain in good financial health. NS faces a challenging task, in part due to the billions invested in new trains. At the same time this gives an extra boost: by making these investments, we are making public transport even more attractive for passengers.

## II Activities in the Netherlands

# Dialogue with our stakeholders

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The ongoing dialogue with our stakeholders is essential for NS as a social service provider. NS is constantly talking to various different stakeholders, ranging from passenger organisations and provincial authorities to NGOs and suppliers. The interaction with our stakeholders lets us make the most of opportunities and tackle or accept any risks in good time.

## Stakeholder management at NS

Our key stakeholders are ProRail, franchise authorities, the shareholder, our staff, the unions, carriers, politicians, employee participation bodies, major suppliers, governmental authorities and civil society interest groups such as consumers' organisations. We involve our stakeholders closely when choices have to be made that affect passengers and we make dialogue possible about those choices. This lets us strengthen commitment to our company and our policy, test ideas and listen to suggestions and criticism so that we can improve our services and products. NS wants to set up and develop transparent relationships with its stakeholders and ensure that the organisation is aware (in good time) of signals from the world around it.

## Who are our stakeholders?

We see our stakeholders as the people or groups who are affected by our actions and whose actions have an effect on our organisation and services. Stakeholder management continuously monitors who the interested parties are and thereby identifies and selects our stakeholders. There can also be stakeholders who are on the scene temporarily for specific subjects - their input can be relevant and we therefore take them seriously.

In the case of some specific stakeholders, our relationship with them is defined by law (the ministries and supervisory authorities), by cooperation within the transport sector (carriers, ProRail), or by the public nature of the services we provide (the media and interest groups). We discuss who the current and new stakeholders are once every two years at the Council for Sustainable Business. The results are then presented to the ExCo.

## Working visits from stakeholders

This year we organised various working visits for stakeholders to inform and consult them and offer a glimpse of the activities of NS. Various politicians joined Safety & Service staff on the train for a day to get a better picture of personal safety for passengers and staff and they took note of the implemen-

tation of extra safety precautions. Representatives of various political parties and the Ministry of Education, Culture and Science had a look behind the scenes at the TechniekFabriek: in collaboration with the Twente and Amsterdam regional training centres, NS is educating young people on the job to become train mechanics. In September there was a special working visit to the factory of the Spanish train manufacturer CAF, which is building new Sprinters for NS. Passengers and representatives of consumer organisations were invited by NS to come and test the latest model of this train. Their input is being used for the finalised train design, for example to make the handles and door knobs of the toilet more visible and identifiable by touch for passengers with functional disabilities. Earlier, comparable tests with drivers and conductors led to improvements in the train's cab. Train passengers chose the chair that will be used in the new train after extensive tests of the chairs at Rotterdam Centraal station.

## Frequent discussions and feedback

NS frequently holds discussions with consumer organisations, ProRail and the Ministry of Infrastructure and the Environment. In addition, we participate in LOCOV, the national public transport users' forum. This legally defined forum consists of formal meetings and handles requests for advice on various issues. There are also informal themed sessions and working visits to provide information and consult the members. Recommendations made by LOCOV regularly result in us changing a decision. We bring participating organisations on board such as ROVER, Ieder(in), the KBO union of senior citizens' organisations and the ANWB for topics that have a longer-term impact. Examples include the purchase of new rolling stock, changes to the timetable and major service interruptions.

For the accessibility aspect, NS published the position paper 'Travelling without barriers now and in the future' in response to a round-table discussion by the Permanent Parliamentary Committee for Health, Welfare and Sport.

We provide our stakeholders with a steady stream of feedback about their ideas and recommendations and the effect that

the dialogue has on NS policy, both in the regular discussions and in reports. We also used the feedback from our contacts for determining our goals and for recalibrating our strategy. Stakeholders also help NS think things through, both spontaneously and on request, when there are clashes between the interests of society and the financial choices.

### **We do not blindly follow advice**

NS does not always take the recommendations on board. For example, the consumer organisations advised against increasing fares in 2016. They suggested we should not increase the fares to pay for a proportion of the increased access charges that NS pays to ProRail, but should instead fund it using the dividend payments of 2013 and 2014. NS did not follow this recommendation. We have a responsibility to our shareholder and a responsibility for future railway investments. In addition, NS has chosen not to increase the fees for some season tickets and travel products, often not raising them for several years in a row. Examples are Dal Vrij, Dal Voordeel, Altijd Voordeel, Altijd Voordeel, Kids Vrij and Railrunner. We also run many promotional actions with products that are cheaper than the standard products. The combination of regular and promotional products lets NS put together an even and balanced pricing policy to make travel by train as attractive as possible.

## **Dilemmas in the discussions**

Informing stakeholders about dilemmas in good time is how NS tries to provide insights into policy considerations and find solutions together.

### *Example: Sail 2015*

In the summer of 2015, several major events took place, such as the Tour de France, Sail, the Four Days March in Nijmegen, Veterans' Day and Gay Pride. In addition to the regular timetabled services, NS deployed more and longer trains during these events, train crews worked more shifts and office staff helped provide travel information at stations. Despite all that, the plans for transporting our passengers to and from these busy locations were put under severe pressure. During Sail, an extra 450,000 passengers travelled to Amsterdam on top of the regular passengers and we had to deal with unforeseen but necessary rolling stock maintenance due to the heat. This led to a dilemma: in order to safely transport the massive flow of passengers, NS decided to have trains run every half hour instead of every fifteen minutes on quieter routes such as Rotterdam-Gouda and Nijmegen-Wijchen on the days around

Sail. This led to a discussion with the consumer organisations. They claimed that NS made cuts to its annual timetable by reducing the number of Sprinters it operated. In the summer, NS does everything it can to provide full train services and coordinate the rolling stock and staff to that end. Small, local changes to the timetable such as those during Sail are only used as emergency measures. Not a decision NS took lightly, but it was necessary to get both regular passengers and passengers for Sail to their destinations.

### *Example: Together for Groningen*

Groningen station will be thoroughly renovated in the coming years: more through routes, a new bus station and the listed station building will be combined with modern facilities. For this major renewal process, NS is collaborating with ProRail, the municipality and province, the regional carriers Arriva and Qbuzz, companies and local residents.

The station is also getting new bicycle and passenger tunnels. The original design had enough space to realise a connection between the north and south sides of the city. Installing access gates was going to close the passenger tunnel to people without a public transport smartcard. This led to a dilemma for NS and the stakeholders involved, because the key pedestrian route between the two sides of the city would be closed off. Early in 2015, NS worked closely with ProRail, the province and city of Groningen to find a solution, finally reaching an agreement: the planned tunnel would be widened and the gates installed not at the entrances to the tunnel but at the staircases from it to the platforms. This allows unrestricted passage and a pedestrian route between the north and south sides of the city. The extra costs for the tunnel are being shared by all parties, with NS making additional investments.

## **Central stakeholder dialogues**

NS arranges centralised dialogues with various stakeholders about our social role and the themes that our organisation has an impact on. Our goal is to have an open dialogue about opportunities, threats and trends in the medium term, unrelated to our regular contacts and (day-to-day) issues. This lets us facilitate a dialogue not only between stakeholders and NS, but also between the stakeholders themselves. This form of stakeholder involvement leads to new insights in each other's interests and valuable criticism and ideas that NS can then use to make better policy decisions.

On 26 October 2015, NS organised another central stakeholder dialogue. Together with around 30 different stakeholders,

we looked back on that day on the negative and positive events in 2015. The Executive Board also joined this meeting. In addition, stakeholders examined key themes for NS and how we were performing with respect to them, and we discussed the future developments that will or could have an effect on our services. We also informed stakeholders about the NS innovation initiatives and gave feedback about actions taken based on previous stakeholder dialogues, including travel information applications of ‘big data’ and the personal safety precautions taken by NS. When asked what developments NS should consider between now and five years’ time, information technology in particular offered useful suggestions. It has to be possible for NS to link the public transport smartcard to other payment systems, to offer customised travel information, or to allow its services to be bought through debit card, smartwatch or smartphone.

### Materially relevant themes

NS bases its policy priorities on material relevance: weighing up the interests of stakeholders and the actual impact that NS can have on the topic. Our materially relevant themes are reassessed annually, for instance based on the dialogue with the stakeholders. Over the last twelve months, NS assessed the materially relevant themes for 2015 to check that they were up to date and valid.

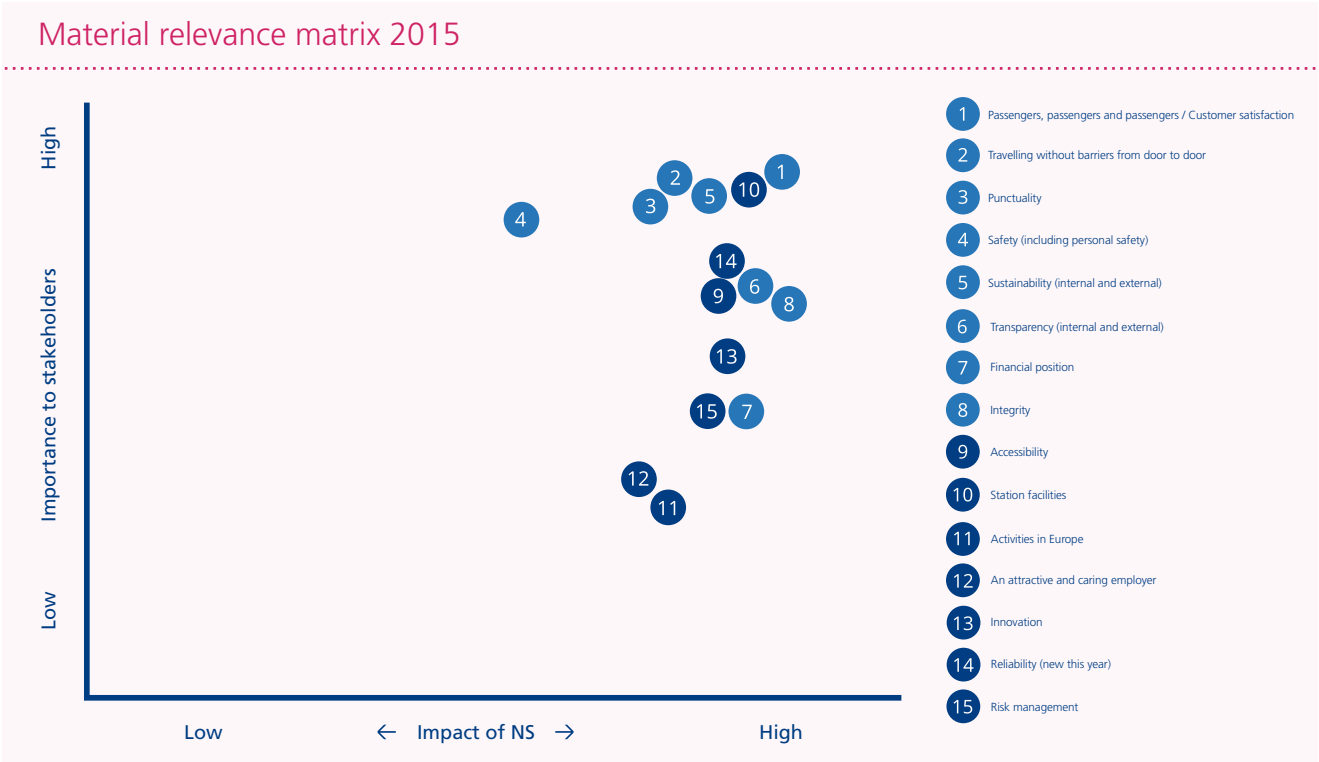
The material relevance matrix lets you see which themes our

key stakeholders deem most important and what priorities they assign to them. This picture is confirmed by a number of extra checks: continuous monitoring, media and Internet analysis, a survey among our stakeholders and regular meetings with stakeholders. In addition, internal sector experts looked at developments within the public transport sector. The matrix for 2015 was then presented to ExCo and finalised.

### Material relevance matrix 2015

The material relevance matrix for this year shows that our stakeholders see numerous themes as important and materially relevant. The most materially relevant themes (with the number from the material relevance matrix in brackets) are Prioritising passengers, passengers and passengers / customer satisfaction (1), No barriers to door-to-door travel (2), Station facilities (10), Sustainability (5), Punctuality (3) and Safety (including personal safety) (4).

The theme of Reliability (14) is a new materially relevant theme this year. The extent to which stakeholders trust NS to fulfil its promises to customers and stakeholders has become more important in 2015 for many stakeholders. In addition to reliability, transparency and integrity have been assigned a higher priority. After the irregularities in the tendering process in Limburg, measures have been adopted for these three themes to draw lessons from the events, avoid comparable situations and regain or increase the trust of stakeholders.



Like last year, Accessibility is an important theme for many stakeholders which continually demands attention from NS. In addition to physical accessibility for people with functional disabilities and the elderly, the accessibility of services is also

a point requiring attention. An example is the digitisation of many services and the processes of obtaining and then checking in and out with a public transport smartcard.

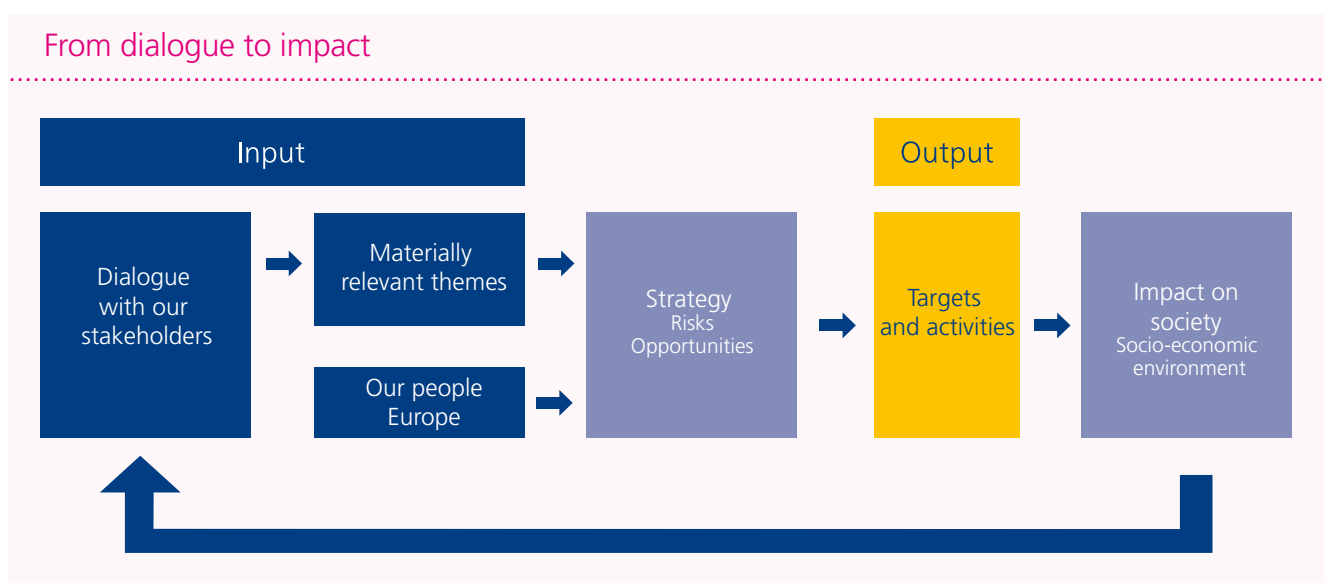
The table below summarises the wide range of dialogues between NS and its stakeholders. The numbering refers to the themes from the material relevance matrix

	Type of dialogue	Content of dialogue	Effects of the dialogue on NS policy
<b>European</b>			
EU institutions, Community of European Railways (CER), Union Internationale des Chemins de Fer (UIC)	For information and to determine standpoints	11 Fourth EU Railway Package; enhancing interoperability; improving the passenger's position	Strengthening the position of the passenger and representing NS's position as the key rail passenger carrier in the Netherlands
<b>National (NL)</b>			
Customers (consumers and businesses)	Informational, monitoring	1, 2, 6, 13 Timetable and public transport smartcard, customer satisfaction, handling complaints and queries, consumer and corporate portfolio, cooperation with bus/tram/metro companies	Improved services, including: <ul style="list-style-type: none"> <li>- Introduction of Keuzedagen (bonus days) on a single-use smartcard</li> <li>- Refunds for delays also available online for single-use smartcards</li> <li>- Joint Journey Discount improved</li> <li>- Service forum expanded for international and business travel</li> <li>- Pilots for NS Extra and Travelling on account</li> <li>- Introduction of the Clear Budget BTM (bus/tram/metro) season ticket</li> </ul>
Shareholder Ministry of Finance	Intensive involvement	6, 7, 8, 11, 14, 15 Performance of NS, the profitability requirement, remunerations, strategy, appointments, major investments	<ul style="list-style-type: none"> <li>- determining financial policy and the board's remunerations</li> <li>- Transparent reporting as per GRI</li> <li>- changes to the governance (articles of association)</li> <li>- strategic reorientation of NS</li> <li>- Irish leasing company</li> <li>- foreign operations</li> </ul>
Ministry of Infrastructure and the Environment	Intensive involvement	1, 2, 3, 4, 5, 6, 9, 10, 13, 14 Performance of NS, implementation of the main rail network franchise, reliability, passenger capacity, door-to-door journey, HSL South train services, safety, public transport smartcard, accessibility, timetable	including <ul style="list-style-type: none"> <li>- Transport Plan 2016</li> <li>- transparency about performance</li> <li>- update report on Accessibility</li> <li>- extra measures for personal safety</li> </ul>
National political bodies	Informational, intensive involvement	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 14 Performance of NS, main rail network franchise, public transport smartcard/access gates, new rolling stock, international connections, winter measures, safety (including personal safety), ERTMS, the Fourth EU Railway Package, timetable, Fyra	including <ul style="list-style-type: none"> <li>- accessibility programme</li> <li>- Transport Plan 2016</li> <li>- transparency and a level playing field</li> <li>- extra measures for personal safety</li> </ul>
ProRail	Intensive involvement	1, 2, 3, 4, 5, 9, 10, 13 Long-Term Rail Agenda, timetable development, performance of the rail system, availability of infrastructure, safety	<ul style="list-style-type: none"> <li>- realisation of 'Better &amp; More'</li> <li>- cooperation for seasonal measures</li> <li>- cooperation on safety and safety policy</li> <li>- functionality of infrastructure for the time-tabled services</li> </ul>
Locov (national public transport users' forum)	Intensive involvement	1, 2, 3, 4, 6, 8, 9, 10, 14 NS timetable, crowded trains, journey information, public transport smartcard, fares, services for passengers, safety, suicides, transport plan, customer satisfaction figures, punctuality, new rolling stock, autumn and winter measures, cooperation, service interruptions, accessibility, international connections	<ul style="list-style-type: none"> <li>- changes to the routing and signage for passengers at stations</li> <li>- more insights into the dilemmas around adjustment and control</li> <li>- a better train product by taking timetable suggestions on board</li> <li>- deploying alternative bus transport during service interruptions</li> </ul>

continued on  
the next page



	Type of dialogue	Content of dialogue	Effects of the dialogue on NS policy
Interest groups and NGOs (including employers)	Involvement, consultative, informational	5, 6, 12, 13 Encouraging sustainable mobility, contributing to the SER (Social and Economic Council of the Netherlands) energy agreement, social policy, CSR, sustainability ambitions, the Dutch Climate Coalition	- implementation of greener traction - Green Summit Train, Train to Paris - large employers signing the Sustainable Mobility Pledge - launch of Railsponsible for making the international rail sector more sustainable - translation of impact calculation into investment decisions
Unions	Intensive involvement	4, 12 Collective labour agreement, personal safety, pension scheme, social plan, personal and social consequences of organisational changes, signs suggesting satisfaction or dissatisfaction of staff	- collective labour agreement for 2015-2017 - new version of the Social Plan - new pension scheme - participating in working out the details of various collective labour agreement concessions - regular trade union meetings
Suppliers	Consulting, negotiating, contractual agreements, intensive involvement	5, 6, 7, 8, 13, 14, 15 Innovation, costs, sustainability, reliability, performance of suppliers (including IT services), cooperation with NS.	- realisation of CSR objectives (by making the entire chain sustainable) - introduction of new products and services - focus on more value creation for NS - focus on reliability and availability of products and services for business-critical processes (IT and Maintenance) - cooperation and innovation together with partners.
Media	Informational, intensive involvement	All NS-related subjects	- position statements
Regions (Regional authorities and official representatives of the provinces, metropolitan regions and municipalities)	Informational, negotiation, contractual agreements	1, 2, 3, 4, 6, 8, 9, 10, 14 Quality of train services, busy trains, punctuality, development and redevelopment of existing stations, Spoortafel discussion bodies, picture of the future public transport and the Public Transport Development Agenda, timetable, cross-border transport, access gates, physical and personal safety, transport sector-wide agreements, regional franchises	- Nachtnet expansion (night trains) - agreement about positioning and accelerated roll-out of access gates - replacement bus transport in the event of train services being interrupted - collective and regional objectives and Public Transport Development Agendas - new and more modern stations and redevelopment of station surroundings.
Internal: Central Works Council, vocational training centres	See chapter Operational performance		



This diagram shows the cycle for our stakeholder dialogues and how they influence our policy

*“The National Police Unit and NS have a long-standing relationship. That’s why you know that even during tense times you can still make the right decisions for safer public transport for both passengers and NS staff. That’s why we’ve been deploying more police capacity in 2015 to make public transport safer.”*

**Wil Voorbij,**  
deputy head of service at the National Police Unit, Infrastructure Department

*“I think that the conductors and NS staff carry out their work very well. A little while back, a fellow passenger was bothering me. The conductors quickly realised it was an unpleasant situation. They took firm action and resolved the situation. I just happened to have a bouquet of flowers with me, so I gave it to the conductors.”*

**Stientje van Veldhoven,**  
D66 member of the Dutch Lower House,  
Railways spokesperson

*“Passengers with functional disabilities want to travel independently just like everybody else. In 2015, NS showed that they take this need very seriously and accessibility was weighed heavily in the travel information and when purchasing new rolling stock. Major steps were made in 2015. The notification time for providing assistance went down from three hours to one, and travel information for people with a functional disability has improved greatly. But we’re not quite done with NS yet! Over the coming years, we need to work hard on realising completely independent accessible travel.”*

**Illya Soffer,**  
director of Ieder(in)

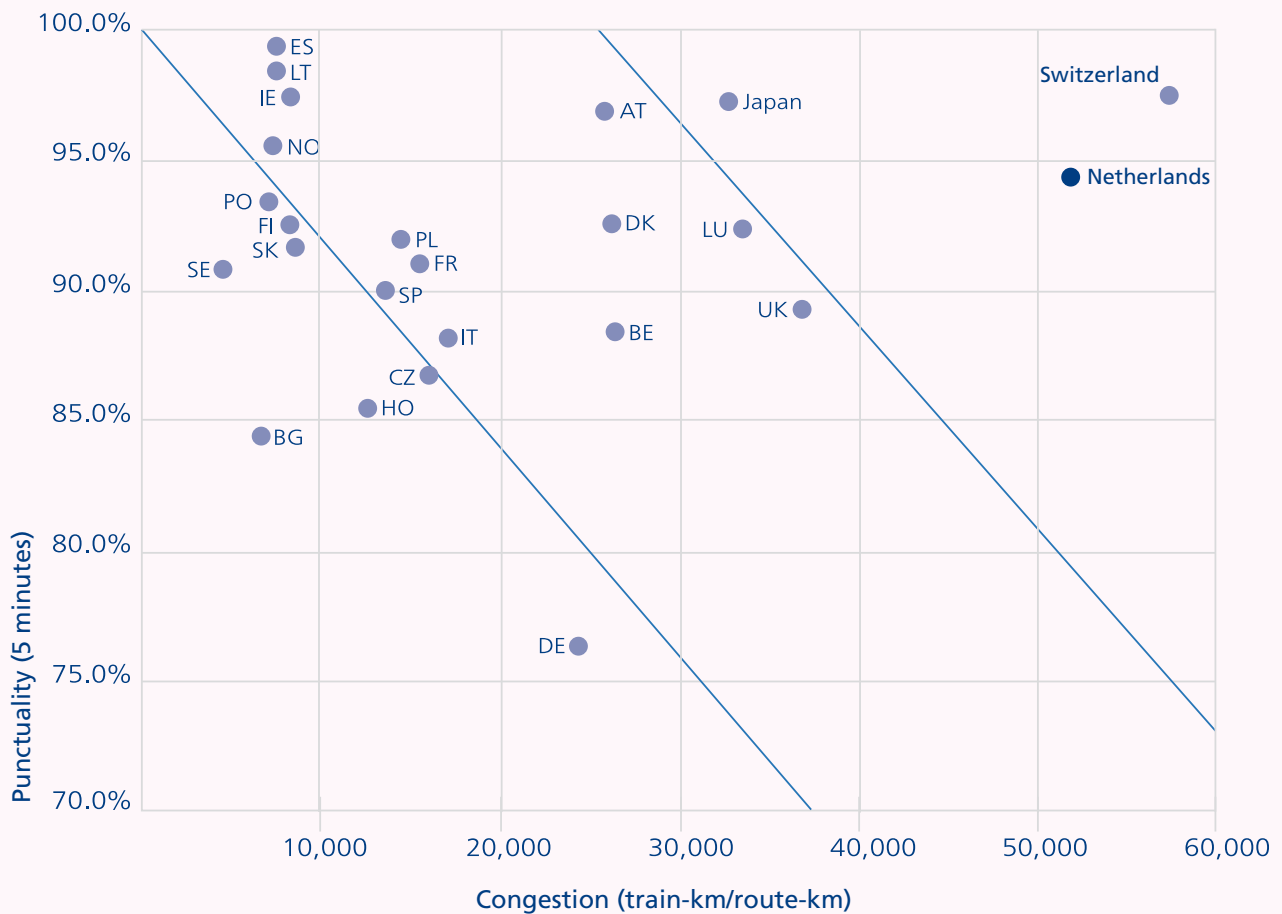
### Developing measures for social safety together

In the night of 6 March 2015 a female NS conductor was very badly assaulted in the train from Schiphol to Hoofddorp. This assault led the NS Board of Directors and trade unions to sound the alarm about attacks on NS staff. NS said that it was coming up against the limits of what could reasonably be expected from NS. That is why we are approaching the issue together with our partners. In consultation with the national government and together with ProRail, trade unions (VVMC, CNV Spoor, FNV Spoor) and the Works Council of NS Reizigers, a range of additional measures were developed to counter aggression in trains and on stations. In addition NS spends over €100 million annually on safety precautions, including on its own safety centre, CCTV monitoring areas, self-defence training courses and the deployment of safety staff. The budget also includes the cost of the social safety duties of the chief guards.

In 2013 and 2014, NS has already cooperated with various partners against aggression on the railways through the public campaign called ‘Handen af’ (Hands off). Figures show that the number of reports by NS staff of aggression (physical violence, spitting and threats) is now lower than the same period last year.

## Our performance in a wider context

### Punctuality vs congestion



A comparison between punctuality and track occupancy in twenty-four countries shows that NS is one of the top three. The Netherlands has shared the top spot for many years now with Switzerland and Japan, both of which also achieve a high level of punctuality on heavily congested tracks.

NS carries out benchmarks regularly to monitor performance and to encourage the process of continuous improvement. In 2013, NS carried out a benchmark looking at the transport franchise for the main rail network. It turns out the NS offers a relatively attractive product for passengers: frequent and reliable train services with good accessibility. In terms of safety and productivity, NS gets above-average scores. This means that the costs remain par for the course for passengers and low for the government. There are various areas when passengers' level of satisfaction with NS is not up to scratch. NS is working

on improving this by making sure that its services focus on the wishes and interests of passengers.

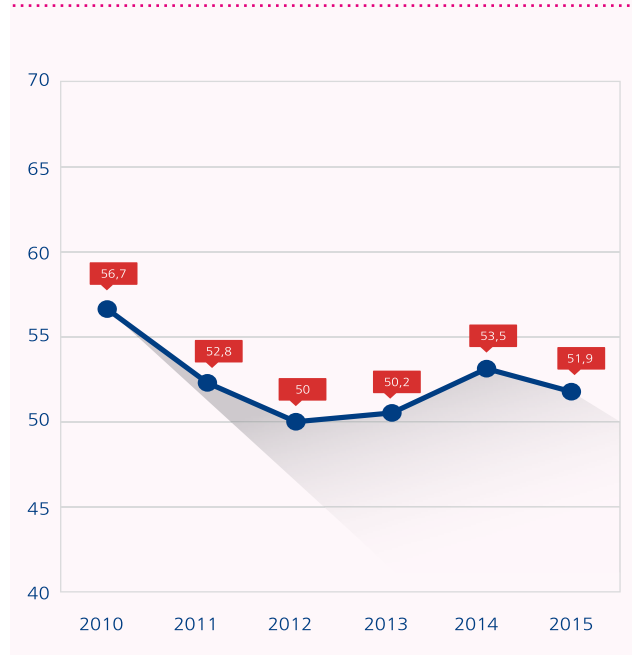
### Reputation

One indicator for the attractiveness of travel with NS is our reputation. NS obtains regular measurements of its reputation using the RepTrak method (from the Reputation Institute). After a period showing a rising trend (2006-2009), the reputation of NS weakened in the period 2010-2012. This fall was caused, among other things, by the performance of the railways in three successive winter periods, the tragic train accident in Amsterdam in 2012 and the developments around Fyra/V250. The development in the reputation figures in 2014 was positive, with an average annual score now up to 53.5 (on a scale of 100).

In the first quarter of 2015, reputation development was

slowed by a number of large disruptions (IT problems in Utrecht, broken overhead lines at Utrecht Centraal, a power failure in North Holland) and a lot of attention for aggression against NS staff. In the second quarter there were the irregularities around the tendering process for the Limburg franchise and public hearings started for the Fyra parliamentary committee of inquiry. Both subjects drew a lot of media attention to NS. The average annual score for 2015 is 51.9. Our goal is 58 by 2020. The earlier goal of 65 by 2018 seems unrealistic due to the above-mentioned circumstances in 2015 and the outlook for NS in the coming years. During the period 2016-2020, NS will be aiming to improve its reputation further by focusing more on its passengers and by working on improved operational performance.

### Changes in the RepTrak Pulse score for NS



### Sustainable mobility

NS wants to be at the vanguard of sustainable mobility. In the eyes of the Dutch consumer, we are not a particularly sustainable brand. Train passengers do see our company and the train as more sustainable, but our image remains the same for the Dutch public at large. That is why we want to improve our efforts in this area and make them clearly visible. A study by Dossier Duurzaam (2015) among consumers showed that energy, safety, waste and encouraging the use of public transport are the key themes for NS. The Encounters and Connections theme is not mentioned by consumers as an important one for NS. In this study NS scored the best on the themes 'responsible with

energy' and 'improving safety'. NS scores visibly worse on other themes, such as integrity and transparency. NS ended 15th in the list of major brands, the same position as last year. The radio station BNR asked five environmental organisations to draw up a top three of the most environmentally friendly CEOs in Dutch industry. NS CEO Roger van Boxtel ended in third place. The HIER Climate Agency nominated NS for the Climate medal.

### Emissions

30% of direct CO<sub>2</sub> emissions in Europe are caused by the transport sector, of which 1.5% comes from the railways (source: UIC, IEA). CO<sub>2</sub> emissions from the railways have decreased in recent years, whereas those from the transport sector as a whole have increased substantially. Emissions lead to global warming. During the Climate Conference in Paris in November, countries agreed to stay below an increase in temperature of 2 degrees. NS is contributing to this with its verified objectives for saving energy and becoming more green. As a result of our energy efficiency measures we have seen a reduction in CO<sub>2</sub> emissions by NS over the last five years. Travelling by train is better for the environment than many other forms of motorised transport, given that the CO<sub>2</sub> emissions per passenger-kilometre are about 87% lower than for the average car. Compared against the sector, we can conclude that (in the Netherlands in 2015) we were a good 35% below the European average of the UIC international railway norm of 0.11 kWh per passenger-kilometre.

### Transparency

NS is in the permanent group that is assessed in the Transparency Benchmark. This is a tool provided by the Ministry of Economic Affairs for improving reporting on social matters within the Netherlands. The results are presented in a Transparency Ladder that is made publicly available and widely communicated. A score of 194 points out of 200 put NS in fourth place on the 2015 Transparency Ladder (2014: 1st). Our ambition is to stay in the top 10. The top 5:

1. AKZO Nobel
2. Philips
3. Unilever
4. NS
5. Royal BAM Group



# Activity report

12



## 12.1 The train journey experience

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## 12.2 Operational performance

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## 12.3 The door-to-door journey

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## 12.4 Other activities

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# The train journey experience

12.1





Together with our partners in the public transport sector, NS is working on improving all parts of the train journey. However, we only partially succeeded in 2015. Customer satisfaction in the Netherlands decreased last year, for example because of several large service disruptions, overcrowded trains and lower punctuality. There were also some severe incidents involving aggression. Positive points were the passenger experience in the train and at the stations, and that the train journey became more sustainable.

## Customer satisfaction

In 2015, 74.2% of passengers on the main rail network gave a score of 7 out of 10 or higher for the train journey. That is less than in 2014 (75.4%) and our goal (76%). The ProRail train services failure in February and the large power failure at the end of March had a substantial influence on the customer satisfaction figure. In both cases, train services around Utrecht were at a standstill and the impact of the power failure was noticeable throughout the Randstad conurbation. In the autumn, customer satisfaction turned out low due to lower punctuality and more train failures. There was also dissatisfaction about the performance of the Intercity direct and about overcrowded trains.

### Cross-border connections

Satisfaction with cross-border services rose, thanks to favourable weather conditions and good performance on the track. NS International ended the year 1.5 percentage points higher than in 2014 (up to 87.5% from 86%). Customer satisfaction with Intercity Brussels and Thalys in particular dropped in the third quarter due to problems with both the rolling stock and the infrastructure, and dissatisfaction with the availability of seats.

## Integrated franchise

In 2015, NS made a distinction between the customer satisfaction scores for train services on the main rail network and its cross-border services. The average general customer satisfaction score was 74.8%, weighted according to the number of passenger-kilometres. The equivalent score in 2014 was 76%.

### Performance indicators for the main rail network

Performance indicator	Minimum baseline	Achieved
General customer satisfaction with the domestic main rail network	74%	74.2%
General customer satisfaction with HSL South services	75%	79.4 %*
Customer satisfaction with personal safety on the train and at the station	78%	80.1%

\* A terrorist incident and the threat of terror on Thalys meant additional safety precautions had to be taken. As a result, NS was unable to hold a survey on Thalys in the fourth quarter. The annual figure for the HSL South services is therefore based on the performance for the first three quarters.

## Social media interaction and customer service

Customers contact Customer Services 64,000 times a month on average. They mainly do so by e-mail or phone. 77% of

### General customer satisfaction with the main rail network passengers giving 7 or higher out of 10, per category

	2015	2014	2013	2012	2011
Business travel	79%	79%	78%	78%	77%
Social and recreational travel	80%	81%	80%	80%	79%
Commuter travel	74%	74%	73%	73%	72%
Travelling to school, college or university	68%	70%	70%	68%	70%

### % of passengers giving a score of 7 out of 10 or higher

	2015	2014	2013	2012	2011
General	74%	75%	75%	74%	74%
Running on time	48%	50%	47%	49%	51%
Cleanliness in trains and at stations	58%	57%	59%	56%	58%
Travel information (about delays)	62%	61%	60%	56%	54%
Personal safety	80%	80%	79%	78%	79%
Seat availability	75%	75%	76%	76%	75%
Customer orientation of staff	61%	60%	60%	59%	61%



NS customers gave Customer Services a score of 7 out of 10 or higher (84% in 2014) 77% of them said they were helped satisfactorily in the first contact (84% in 2014). In both cases this is lower than in the previous year. Because the way the study is carried out has been changed, the figures are harder to compare. Customers are no longer approached by phone, but via the Internet. 36% of the contacts gave us a score of 9 out of 10 or higher. This was 20% in 2014.

NS improved its services in 2015 to make contact easier and more personal. For instance, since January 2015 different centres have been combined into a single NS KlanteNService, allowing us to help customers more efficiently. In February, NS introduced the option of chats with staff via the website, which improved responsiveness and ease of use. Additionally, KlanteNService has been available 24 hours a day, 7 days a week since April 2015 for domestic and international train passengers.

### Online service

The NS Service Forum on ns.nl makes it easier and quicker to access information about travelling by train. Last year the forum, now a fixed component of the NS services, was visited over 2 million times. The number of forum members grew in 2015 from 10,000 to more than 23,000. Members of the forum help each other and other website visitors with tips and advice. Passengers also give feedback on NS services and talk actively about new products and campaigns such as NS Extra. NS also provides a service through social media to more than 167,000 (Twitter) and 138,000 (Facebook) followers. The @NS\_online account – which tweets about 1,500 times a day – is one of the largest Dutch webcare accounts.

## Knowledge about the customer

The choices we make when improving the services we provide are largely determined by the effect that the improvement in question has for the customer. The Customer Investment Model (KIM in Dutch) helps us monitor, predict and improve customer behaviour and customer satisfaction as a result of our performance. In 2015 we developed a methodology that lets us predict how much a new initiative would contribute to an improvement in general customer satisfaction: the General Opinion Impact (or AOI in Dutch). The KIM is also combined with other insights into customer satisfaction, resulting in a complete picture of the customer experience. For instance, we started targeting the customer's key needs (control, appreciation and freedom) in 2015 and we looked explicitly at the in-

fluence of the door-to-door journey on customer satisfaction.

## Benefits and service

### Travelling with a discount

There are various options to let passengers travel with discounts. To make them more widely known, NS has been informing season ticket holders and people travelling with them about the possibilities for joint journey discounts. We remind visitors to certain events that there are e-tickets that they can use to travel with a discount, and that they also will not have to wait in line afterwards to check in. Furthermore, the KidsVrij season ticket became free of charge in 2015. This lets children aged 4 to 11 travel by train for free when accompanied by an adult. This season ticket is funded by money from passengers who forget to check out.

### Benefits with NS Extra

In August NS launched the customer relations programme NS Extra as a pilot. It gives passengers small surprise gifts and benefits. They are also notified if they forget to check out. Within 24 hours, 20,000 people - the maximum number for this trial - had signed up for the programme.

### Travelling on account

To make travelling on account easier to pay for, NS started a 'travel on account' trial in 2015 in collaboration with ANWB throughout public transport. Passengers pay afterwards and do not need to top up their smartcards. The people taking part in the trial are regular customers with an Altijd Voordeel season ticket ("AnyTime Budget").

### A small gift when there are disruptions

Customers who experienced disruptions to services during their journey received a letter and small gift from NS, such as a voucher for a newspaper or a cup of coffee, to thank them for their understanding. They were also notified about modified timetables via the Journey Planner Xtra app, text messaging or e-mail, as well as more complete details of larger service interruptions.

### Employing office staff

In 2015, office staff received an NS badge that they can wear during their train journey. This gives passengers more points of contact. Office staff also work during service interruptions and events to provide customers with information. More people are needed in these situations.

## Personal safety in trains and at stations

Passengers and staff must feel safe on the train and at the station. That is why the number of incidents involving aggression and violence must be reduced. Unfortunately, such incidents still take place. In March there was a very serious incident involving an NS staff member at Hoofddorp station. For NS, this was the last straw. We will not tolerate passengers or staff being threatened, intimidated or attacked. In addition to current initiatives, NS, ProRail, the Works Councils, unions and government have made agreements about extra measures for more safety in public transport:

- temporary extra support in trains at high-risk moments (double staffing)
- installing cameras at small and medium-sized stations and in trains that do not have them yet
- monitors that will make passengers aware that they are being filmed as they enter entrance
- a trial with bodycams in the clothing of security staff and Safety & Service staff
- bringing access gates at stations into operation more quickly
- 20 district policemen at and around stations who can deploy police assistance and extra security staff at stations
- accelerated introduction of station bans for people causing nuisance
- a daily 56 FTE police capacity from the national unit at and around stations and problem routes

### Reduction in physical aggression

Last year, 6% of our staff had to deal with physical aggression (including spitting and threats) at work. This percentage is lower than in 2014. We are seeing fewer reports of physical aggression this year: 642 (774 in 2014) The decrease in aggression cannot yet be directly linked to the extra measures taken in the period just completed.

### Increased customer satisfaction with personal safety

Customers' perceptions of safety at stations and in trains remained virtually unchanged in 2015, with 80.1% of customers giving a score of 7 out of 10 or higher, as opposed to 80.2% in 2014. The feeling of being safe in the evenings at stations rose (from 62.8% in 2014 to 63.2% in 2015). The feeling of being safe in the evenings in the train dropped (from 70.1% in 2014 to 69.6% in 2015). Preventive surveillance and targeted deployment of Safety & Service staff and security staff contributed to these figures. In addition, we repeatedly car-

ried out actions with our security partners, such as Stop & Go against fare dodging. Safety & Service staff received a new, recognisable and functional uniform this year.

## The train experience

### Train Experience Monitor

NS uses the Train Experience Monitor to measure the scores passengers give for the quality of the trains and the journey. It is an instrument for quantification and steering that helps us improve our services to our passengers. By the end of 2015, 24,000 passengers had participated. From 2016 onwards, the new monitor will be measuring the input from 40,000 passengers. This way the Train Experience Monitor is a valid tool to let various business units measure the train experience of our passengers and make direct changes.

Train Experience Monitor	Train	Train journey
Sprinter trains:	7.0 (2014: 7.0)	7.3 (2014: 7.3)
Intercity trains:	7.1 (2014: 7.1)	7.4 (2014: 7.3)

### Toilets in the Sprinter trains

In 2015, preparations continued for the installation of toilets in Sprinter trains. Installing them will let us meet the requirements of franchise agreements for 2015-2024 and respond to passengers' complaints about the absence of toilets in the type SLT Sprinter trains. Each SLT train is getting one environmentally friendly toilet with wheelchair access. When the toilets are installed, the trains will also be getting a retractable step that helps wheelchair users get on and off the train independently. The first trains will be converted by 2018. All SLT trains will have a toilet and retractable step by 2021.

## Clean trains

Clean trains help make journeys pleasant and improve the perception of personal safety. Passengers gave a less favourable assessment of cleanliness in the trains than in 2014: 51.1% gave a score of 7 out of 10 or higher (2014: 51.2%). That is less than our goal of 55%; the reasons for this include the use of older rolling stock. The train type and ambience of the interior have a lot of influence on the customer satisfaction figure. In addition, trains are being deployed more intensively due to higher passenger numbers. This leaves less time for cleaning and more waste is left behind in the train during operation. NS, NedTrain and the contract cleaner HRS started the Cleaning Programme in 2015. The key goal is to make sure that passengers always feel that the train is sufficiently clean. This

is done by organising the train cleaning to a strict schedule, keeping the cleanliness of the inside and outside of the train at a constant level. We analysed why the cleaning does not always run smoothly.

### Other results

- Improved logistics at cleaning locations
- Installing a train washing system for high-speed trains in Enschede
- Starting an approach involving cleaners on running trains (Care on Track)
- NedTrain is represented in the 2017 timetable steering group
- Cleaning specifications are being included in the design process for the timetable.

## The station experience

### Customer satisfaction with stations

This year, customer satisfaction with stations increased from 64.9% in 2014 to 67.2%. The station experience is an important factor in the passengers' evaluation of their door-to-door journeys. We use surveys to ask passengers what they think of a certain station. This is how we monitor the stations, know the points for attention and see which measures do and do not work for the passengers.

### StationsHuiskamer (Station Living Room)

New StationsHuiskamers ('Station Living Rooms') have been opened at Den Haag Centraal and Arnhem Centraal stations (joint venture with the tourism office). 2015 also saw the opening of a StationsHuiskamer at the smaller stations of Culemborg, Meppel and Zevenaar. The StationsHuiskamer has a significant effect on the waiting time experience, as it offers passengers a pleasant area where they can stay for a while that includes Wi-Fi, electricity sockets and a toilet.

### Toilets at stations

NS and ProRail want to improve the toilet facilities at stations. The area must be clean, undamaged, safe and easily accessible for passengers. Following a tender, Sanifair has now been operating 22 groups of toilets at 21 larger stations since 1 December 2015. All toilet areas get a host/hostess and the same quality and design.

### Trials at minor stations

NS and ProRail ran trials for facilities to improve quality at 20 small stations in the Netherlands. These involved e.g. up-to-

date information, shelters for waiting, bicycle parking, car parking, toilets, connectivity (Wi-Fi) and coffee. This was managed by local hosts. The aim was to learn which facilities contribute positively to the passenger experience.

### Station cleaning and maintenance

Passenger experience is key in the daily cleaning of stations: a clean, undamaged and safe station. That is why NS has developed a basic professional training course in 'Station and platform cleaning'. This course gives all the cleaning staff professional skills and helps them become customer-friendly station cleaners.

### Stations undergoing renovations

Over the coming years, many stations will have to handle larger passenger flows. In 2015, NS and ProRail took major steps at several large stations, such as Zwolle (new passenger underpass completed), Eindhoven (new passenger underpass now in use), Tilburg (new passenger underpass now in use), Utrecht Centraal (northern part of the station hall and first floor completed), Amsterdam Centraal (first part of the IJ Hall and IJ underpass completed) and Den Haag Centraal (finishing early 2016). We are working hard in Breda on the constructing the station building on the city centre side. The passage will be connected to the completed northern part of the station by mid-2016. The renovated station in Harderwijk will be finished mid-2016.

The renovations of Groningen, Assen and Ede-Wageningen stations and the new public transport terminal at Amsterdam Zuid are now being prepared.

### New and converted stations

Delft station officially opened for passengers on 9 April. The platforms of the underground station are nevertheless lit by natural light during the day and the station hall above ground has a characteristic Delft ceiling. The new station can handle tens of thousands of passengers, is spacious and offers passengers extra comfort, including an extensive and varied selection of shops and a large bicycle storage area.

In Arnhem, the station reopened as Arnhem Centraal on 19 November, after years of renovations. It is a clearly laid out space where passengers can easily find their orientation and change from train to bus or trolleybus, all under one roof. The new station hall has an unusual architectural design, in which all the natural height differences are bridged.

The footbridge in Alkmaar has been completed. The station,

including shops and facilities, is now ready. The station also celebrated its 150th anniversary.

Barneveld-Zuid station opened in February and was given parking spaces and an expanded bicycle storage area.

### Changes to station names

Several stations are getting new names in the new timetable. To increase recognisability for international passengers, Schiphol station has been renamed Schiphol Airport. Drienerlo station in Enschede has been renamed Enschede Kennispark. From 13 December onwards, Eindhoven Beukenlaan has gone by its new name of Eindhoven Strijp-S. And from now on, Arnhem station will bear the name Arnhem Centraal.

## Accessibility for people with functional disabilities

Being able to go out and about freely is important for everybody in the Netherlands, including people with a functional disability. In 2015, NS worked with interest groups and the Ministry of Infrastructure and the Environment to make travelling by train more accessible and to make journeys more convenient for passengers with a functional disability.

### Improvements to the provision of assistance

NS improved the assistance it provides in 2015. The period of notice for NS assistance was reduced from three hours down to one hour with effect from 5 January 2015. Currently over 30% of passengers who request assistance book their journeys less than three hours in advance. Other European countries have expressed interest in this reduction and the processes that make it possible. In addition, we have expanded the number of stations offering such assistance.

In 2015, NS made agreements with the Ministry of Infrastructure and the Environment to improve accessibility further. NS is developing an app and new booking system for NS assistance so that passengers can arrange for assistance on the way using their smartphone. They can also call for help if their journey pans out differently than planned. These measures will replace the plan to shorten the period of notice for NS assistance to fifteen minutes at seven large stations. In a survey, customers with a functional disability said that they have little need for that service. In addition, NS will be investing over the next ten years in expanding NS assistance, including providing assistance at 45 additional stations. We are also studying the possibilities for expanding the NS assistance service by escorting customers who travel with NS assistance after they arrive

to their next public transport stop or platform.

### Upgrading trains

In 2015, the focus was on the preparations for the installation of retractable steps the Sprinter Light Train and in new trains. The retractable steps will let wheelchair users get on and off the train by themselves in most train and platform situations. ProRail is making stations more accessible and ensuring that the platforms are at the right height and distance relative to the tracks. It is expected that the first new Sprinters with retractable steps will be deployed from 2017 onwards. NS has also included specifications for realising independent accessibility in the tender for new generation Intercity trains. Preparations for the VIRM upgrades started in 2015.

The first studies for travel information about accessible travel started in 2015. Once a substantial number of trains have retractable steps, NS (in collaboration with ProRail) will inform passengers about the trains and stations they can use for travelling independently. This lets them prepare their journeys better.

Last year 10% of all seats in trains were marked as priority seats. This was achieved earlier than planned. These seats are for people who have difficulty walking or standing such as pregnant women, the elderly and disabled passengers.

### Policy measures

Together with ProRail, NS drew up the 'Accessibility Update Report' in 2015, in which ProRail and NS reassess current accessibility measures and present new ones. In the coming years, we will be studying the possibility of giving information about which side of the train is the exit side. That is important for people with a visual impairment.

## Sustainable mobility

### Encounters and connections

NS also plays a major role in connecting people. We would like our passengers to see the train and station as a social environment, where you can meet people in a pleasant environment, whether for business or pleasure. NS encourages the idea that the journey time remains your own time: meeting and working or reading and relaxing on the train and at the station. We are putting this into practice with our 'encounter zones' in trains and the flexible workspaces, business lounges and meeting rooms at 14 stations (the Station2Station facilities).

We encourage people to travel together with the NS Group



Return, where you travel together by train (for part of the journey) and meet up at the destination station. 89,000 were sold in 2015 (2014: 87,000), with 600,000 passengers using them (2014: 550,000).

### **Trains on green electricity**

Since 2015, half our trains in the Netherlands have been powered by green electricity – by wind energy, to be precise. In 2016, 75% will be powered by green electricity and from 2018 onwards, all electric trains in the Netherlands will run on this clean power. Our customers' journeys can then be completely climate-neutral.

The green power comes from new wind farms that are gradually coming on stream in the Netherlands, Sweden and Belgium. Half the power will come from the Netherlands, the other half from abroad from specifically designated wind farms. This ensures that the supply is traceable. In addition to trains, the energy used at stations and NS offices in the Netherlands will be completely 'green' by 2018. This figure is already 73% for 2016.

To that end, in a tendering process in 2015, NS chose power company Nuon as the supplier of green electricity to NS Stations (75%) and ProRail (100%) for one year from 2016. A new tender will start in 2016.

### **Train to Paris**

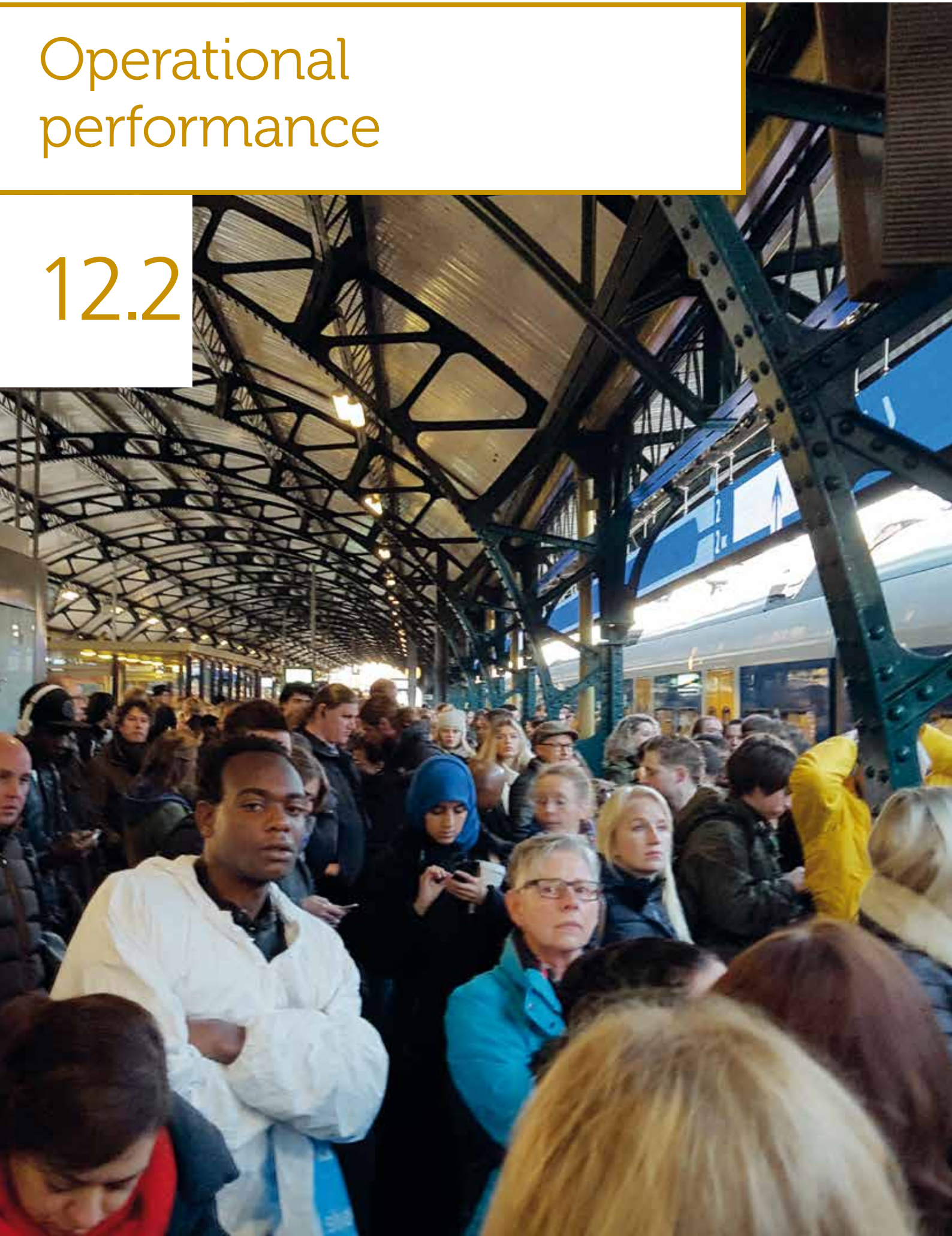
On Saturday 28 November, NS took the Dutch delegation to the Climate Conference in Paris in collaboration with the ministry of Infrastructure and the Environment, the Dutch Climate Coalition and ProRail. A varied travel party consisting of companies, young professionals, social organisations and municipalities exchanged knowledge and debated subjects such as the closed-cycle economy, innovation, transport and energy. The goal was to achieve results prior to the start of the Climate Conference by setting up various cooperative ventures that could deliver a pledge in Paris.

### **Green Summit Train**

Before the Train to Paris left, the Green Summit Train first travelled through the Netherlands on Friday 27 November. This train gathered together the best CO<sub>2</sub> savings solutions for the delegation; the results were presented to the State Secretary of Infrastructure and her delegation.

# Operational performance

12.2



Operational performance in 2015 was too often far below our targets. Passengers thought trains were too crowded and not running on time as often. There was however less nuisance due to service disruptions, and trains passed red danger signals less often. We also worked to improve harmonisation in the rail sector. Together with partners in the public transport sector, we are improving the quality of travel by train for around 1.2 million passengers daily through the Better & More programme.

## Punctuality

Punctuality for passengers – punctuality and the number of connections not missed – ended up at 91.0% in 2015, less than in 2014 (92.3%). The punctuality figure was lower than our objective of 91.5%, but above the minimum baseline agreed with the Ministry of Infrastructure and the Environment (90.0%). We also failed to see a higher punctuality of arrivals figure in 2015. 94.3% of trains on the Dutch main rail network arrived at their destination within the norm of five minutes. That is slightly less than in 2014 (94.9%).

Causes of the disappointing punctuality figures included several severe disruptions throughout the year, such as a cable break in Utrecht, a power failure in Noord-Holland and a fault at the traffic control point in Utrecht. The snowfall in January and the summer storm in July also had major impacts on the punctuality score. There were more ‘black’ days in 2015, i.e. with a punctuality score of lower than 75% (measured at 3 minutes) or more than 10% of trains cancelled: 13 as opposed to 3 in 2014.

Given the lower punctuality figures, we are paying just as much attention to punctuality as ever. We conduct daily anal-

yses of the punctuality of train services, capacity and the handling of incidents on the track, focusing in particular on the lines with systematically lower punctuality.

### Intercity direct

We are also paying extra attention to Intercity direct cancellations. Its performance was poor last year. Reasons for that included problems with the rolling stock, the infrastructure, and communication with the security system. NS and ProRail are working on further improving the punctuality and cancellation rate of IC direct to create a more reliable service.

## Overcrowded trains

Over the last few years, the satisfaction figure for seating capacity has been lower than the desired level, especially during the traditionally busy autumn period. Trains are often crowded at peak times, which led to many complaints among passengers. There is a specific plan for the autumn, including e.g. longer trains in the morning and evening peak periods.

### Customer satisfaction

Despite the high number of complaints, the customer satisfaction figure for seating capacity was higher in 2015 than in 2014 (75.4% as opposed to 74.6%). The minimum baseline for the likelihood of being able to get a seat or standing room during peak periods is 98.7%, as agreed with the Ministry of Infrastructure and the Environment. Actual capacity was at just that figure: 98.7%. The actual capacity at peak times on the ten busiest routes was 96.7%.

### Systematic improvement

NS is working systematically to improve customer satisfaction about overcrowded trains. We are doing this by:

- raising clear expectations in passengers about the likelihood of being able to get a seat or standing room;
- actually achieving the intended number of available seats. Too often, NS cannot offer passengers what it would like because

Performance indicators for the transport franchise		
Performance indicator	Minimum baseline	Achieved
Punctuality for passengers (indicator to be achieved jointly with the infrastructure manager)	90.0%	91.0%
Key routes for punctuality for passengers (indicator to be achieved jointly with the infrastructure manager)	93.7%	94.1%
Punctuality for passengers on the HSL South services (insofar as attributable to NS)*	94.0%	94.2%
Kwaliteit van aansluitingen NS op andere vervoerders op de belangrijke knooppunten	Not measured in 2015 (still under development)	
* For the performance indicator (PI) of punctuality for passengers on HSL South services, only train cancellations and delays attributable to NS are included in the calculation. In line with this definition, whether a train cancellation or delay is attributable to NS is determined on a case by case basis. If it is, it is included in the above-mentioned PI.		



of disruptions in train services;

- investigating how passengers can be better distributed within and across trains to bring supply and demand more into line with one another.

Despite all this there is a shortfall of several dozen carriages for 2016. NS is therefore taking additional measures:

- NS is deploying all available rolling stock, including reserves, to deal with busy trains.
- We are changing the proportions of first and second class in the SLT-6.
- We are investing 8.5 million euros in extra measures on top of investments in new rolling stock.
- We have adopted a targeted approach to reducing nuisance on specific routes as much as possible using buses, customised journey information and other alternatives.

### Deployment of double-decker trains

The older DDAR type double-decker trains were brought back into operation early in 2015 to provide more seating capacity for passengers. This involved 19 locomotives and 54 carriages. We also started the revision project to deploy the DDM1 double-decker trains in 2016 (12 locomotives and 44 carriages). We placed an urgent order for 58 extra Sprinters and we are deploying reserve rolling stock to reduce the shortages.

#### Performance indicators for the transport franchise

Performance indicator	Minimum baseline	Achieved
Passenger capacity at peak times (main rail network)*	98.7	98.7
Key routes for passenger capacity at peak times**	96.5	96.7
Passenger capacity at peak times on HSL South services (domestic)	97.5	89.5

\* For this PI, the number of seats in first and second class are added together, in line with the definition for calculating the likelihood of getting a seat.

\*\* This PI is determined in line with the definition based on the busiest train series of 2015. During 2015 the number of passengers on the busiest train series was estimated 71 times by the chief guard.

## Availability of trains

NS withdrew an overall average of 13% of the NS fleet for maintenance, repairs and upgrades on any given day in 2015. This meant that the daily availability of trains in 2015 was still too far short of the standard of 12% average per year that is needed for the timetable. This is why we not able to offer more seats. In 2015, we started the Pitstop programme at the Onnen maintenance plant to tackle turnaround times when

repairing faults with trains. Fixed teams work on train fault repair, using a pit track that has been set up for the purpose. This approach has resulted in a lot of extra seats for our passengers. We will develop this approach further in 2016.

### Technical centres

After Utrecht in 2014, the Technical Centre in The Hague opened in 2015. Both Technical Centres have a BREEAM Excellent sustainability certificate. In Technical Centres at major stations, we can resolve faults and problems with trains quickly and effectively. Repairs take place closer to the train services, so the withdrawal of trains from service is reduced and reserve capacity increases. We intend to build two more Technical Centres.

## Revisions and upgrades: more seats, sustainable trains

NS will be investing in new Sprinter and Intercity trains and in upgrades of existing trains over the next few years. Proven technology, sustainability and convenience for passengers have the highest priority.

### Investing in new Sprinters

NS is investing in the new generation of Sprinters. 118 carriages have been ordered from the Spanish train manufacturer CAF. A delegation of passengers and drivers visited the factory in September.

The first new Sprinters will start running on the Dutch railways in the course of 2018. NS will need additional Sprinters sooner because of growth in passenger numbers and various other factors. That is why NS ordered around 58 additional Sprinters (FLIRT trains) from the Swiss manufacturer Stadler. These will be introduced in phases from the 2017 timetable onwards. Both types of Sprinters are transparent, have wide doors, are energy-efficient and independently accessible for wheelchair users (including a wheelchair-accessible toilet).

### Investing in new Intercity trains

A tendering process for purchasing new Intercity trains was under way in 2015. This will continue in 2016. The new trains are planned to come online from the 2021 timetable onwards. These are trains with a total of 25,000 seats that can run on both the regular network and the HSL. These new Intercity trains travel at a maximum speed of 200 km/h and are equipped with everything the passenger needs: electricity sockets, Wi-Fi, air conditioning and wheelchair-accessible toilets.

The new Intercity trains will eventually replace some of the reg-



ular Intercity trains and the Traxx locomotives and coaches on the HSL. The introduction of the new trains will also ensure that the HSL is used more efficiently than originally planned, and that the frequency and speed on some routes can be raised.

### **Upgrades of Intercity coaches and double-decker trains**

After the revision of the double-decker trains of type DDZ in 2014, a start was made last year on upgrading the Intercity coaches so they can be used on the high-speed line. The type VIRM-1 double-decker trains are also getting upgraded. This affects 81 trains with 416 coaches. Sustainability is an important factor. Some elements, such as the cab and vestibule, are reused as much as possible. LED lighting that adapts to daylight levels (Intelligent Light Control) will be added. The trains are also getting an efficient air conditioning system and a bioreactor. The layout of the train is also changing a little: the upper deck will be suitable for reading or working, with seats in twos and business-like decor. The lower deck will be more informal, with seats opposite each other and a lounge seat. The first modernised trains will start running in 2016. The upgrades will take until 2020.

## **Influence of the weather on train services**

The winter of 2014-2015 was very mild, with almost no snow or frost. The planned measures such as the 'anti-icing equipment' were ready but were needed just twice in the past winter period. We had to operate a modified timetable once early in 2015 due to snow.

NS aims to limit disruption caused by the weather as much as possible; this includes taking preventive action where possible. In the autumn of 2015, NS also took steps to minimise the impact of the autumn conditions, for instance by tackling slipperiness on the rails in collaboration with ProRail and other partners. Examples of this are the use of a special gel (Sandite) on the rails, extra minutes journey time allowed on several routes and train series, and the introduction of an app for (train) staff that they can use to report when a stop lasts longer than planned.

## **Hindrance due to large service disruptions**

NS collects data about the nuisance due to service disruptions together with LOCOV and ProRail. This reflects the number of passengers experiencing hindrance, the extra journey time

and the number of extra changeovers. This lets us compare the degree of hindrance during service disruptions. In 2015 the number of extra passenger-minutes caused by service disruptions was 9% less than in 2014. One reason for this was that some large-scale items of work on the tracks dating back to 2014 were completed. Passengers were more satisfied with the service during planned work as well: 59% of passengers gave a score of 7 out of 10 or higher (2014: 56%).

## **2015-2024 franchise**

NS has the exclusive right to transport passengers on the main rail network in the 2015-2024 franchise. The franchise came into effect on 1 January 2015 and has a duration of 10 years. A major difference compared with the previous franchise is the integration of the rail link HSL South into the single franchise. All operational requirements are stated in the franchise, such as running on time, customer satisfaction, improving door-to-door journeys and accessibility. There are also requirements for collaboration with governmental authorities, other carriers, ProRail, consumer organisations and the franchise authorities. Performance agreements have been made with the Ministry of Infrastructure and the Environment that could result in fines or bonuses. We publish important KPIs every quarter (in Dutch only) on [www.ns.nl/overns](http://www.ns.nl/overns).

## **2016 timetable**

The timetable for 2016 is based on the one from 2015. As a result, many train times are unchanged.

Utrecht Lunetten station gets four trains an hour in the 2016 timetable because a part of the new infrastructure around Utrecht has become available. On the Haarlem-Alkmaar route, NS is matching up supply to the passenger demand: in the quieter off-peak hours, only Sprinters will run here, while Intercity trains will be deployed at peak times.

## **International connections**

Working with international transport partners, NS connects large cities and regions together in Germany, Belgium and France. Last year, the number of journeys sold grew by 1% to 3.2 million international journeys. In 2015, measures to replace the Fyra were implemented and NS celebrated the 15th anniversary of the ICE connection from Amsterdam to Frankfurt, together with Deutsche Bahn.

### **Frequency of Intercity Brussels increased further**

The frequency of the InterCity Brussels was increased at the

start of the 2015 timetable. Trains run between Amsterdam Centraal and Brussels Midi 16 times a day. Reservations are not required for the InterCity Brussels and it makes more stops than the Thalys. The train runs via Schiphol, Den Haag HS, Rotterdam Centraal, Dordrecht and Roosendaal and stops in Belgium at Antwerp-Berchem, Mechelen, Brussels Airport and Brussels North.

Passengers who want to travel to Belgium quickly can also use the Intercity direct between Amsterdam and Rotterdam. It has been running 4 times an hour since last year. Passengers can then change in Rotterdam for the IC Brussels to Antwerp and Brussels. International passengers do not need to pay the separate supplement for the Intercity direct. From 2017, onwards the IC Brussels will run on the HSL via Breda, so that the journey times to and from Brussels become significantly shorter.

### Thalys

The number of Thalys trains to Belgium and France on weekdays rose from 12 to 13 a day in April 2015 and then to 14 in December. The Thalys goes to Brussels 12 times and to Lille twice. The Thalys to Brussels continues on to Paris 10 times a day.

### Extra travel options to Germany

The connections to Germany also acquired extra travel options. The later ICE trains, which already ran on Thursdays, Fridays and Sundays, now also run from Monday to Wednesday.

### Regional connections

Together with the regional authorities, we identified initiatives that could improve the regional international connections. These initiatives are documented in regional development agendas. In consultation with international partners, 2015 saw the start of studies into the logistical possibilities, the value of the improvements for passengers and the business cases.

## Railway safety: accidents and SPADs

On 6 March 2015 near Tilburg University, a passenger train collided into the back of a stationary goods train that was too long for the track after a SPAD (signal passed at danger). Eight people received minor injuries: seven passengers and the chief guard of the passenger train. NS, ProRail and DB Schenker Rail then together investigated the circumstances and consequences and adopted measures to reduce the chance of a repeat accident, for example by further improving the actions

taken when signals are passed at danger. Also in March, a fire broke out in an electric installation in a passenger train, leaving one passenger severely injured and twenty people with respiratory problems due to the smoke. Here too we worked closely with ProRail to determine the cause.

### Signals passed at danger

The number of non-technical cases of signals being passed at danger (SPADs) – a railway safety indicator along with accidents – fell to 45 in 2015 (from 54 in 2014). The number of trains that reached a dangerous position (a place where an incident could occur) fell from 17 to 14. This reduction is partly thanks to the further roll-out of the improved version of ATB (automatic train protection system) in 2015. In addition, NS paid extra attention to this topic with its operational staff and we took steps to prepare for the roll-out of ORBIT, the system that warns drivers if they are approaching a red signal too quickly. NS is continuing the positive results from 2014, even though accidents such as the one at Tilburg University show that further efforts to improve railway safety are necessary. The introduction of ORBIT is expected to lead to a further reduction. We also communicate openly about safety with our employees so that we can learn more from one another.

### Termination of increased surveillance by ILT

In response to the steps that NS took together with ProRail to improve safety on the tracks, the Human Environment and Transport Inspectorate (ILT) decided to terminate the increased surveillance on NS in response to the collision in Amsterdam in 2012. NS and ProRail worked hard together on abolishing the violations observed, partly by consistently planning the preparations the timetable and changes to it according to the safety standards. In addition, the ILT has concluded that NS and ProRail improved the safety culture. Incidents lead to new insights and measures to reduce safety risks.

### Train departure incidents

There were 30 train departure incidents in 2015 (43 in 2014). These are incidents such as passengers or objects becoming caught between the doors as the train leaves. Staff are aware that they themselves can reduce the risk of incidents by carrying out the departure procedure properly. Additional inspections and continuous attention from staff and management ensured that the procedure was increasingly being implemented properly.

### Renewal of the safety certificate

Following NS Reizigers, NS International also received a new safety certificate in 2013 for a period of five years. NS is working on merging the safety management system (VMS) to create a single common system for NS. That will contribute to safety on the tracks.

## Safety at the station

In 2015 we took various steps to improve safety at stations and in the shops at stations. For shop staff we developed standards and associated training courses for dealing with abnormal customer behaviour. At the fifteen stations with the most cases of aggression and violence, we are working with the police to improve safety. In addition, we made agreements about following up on incidents and near-incidents and intensified our cooperation with ProRail.

## Occupational safety

Occupational safety focuses on the personal working conditions of NS staff at their own workplace. The key goal is to prevent accidents at work and absences caused by illness as a result of their work. The focus in 2015 was on implementing a uniform NS approach. This approach has KPIs that can be used to measure the most critical work processes and follow the effect of improvement measures. These KPIs are used for implementing the 'staff health and safety development section' that was agreed with the trade unions. The parties meet regularly to talk about this.

### Lost time injury frequency rate

To track the numbers of accidents at work resulting in over 24 hours of absence from work, the frequency rate can be monitored (Lost Time Injury Frequency rate, LTIFR). This rate shows the number of accidents resulting in absence for every 1 million hours worked. This score includes all accidents at work resulting from someone carrying out their work. The LTIFR at NS in 2015 was lower than in 2014 (0.9 as opposed to 2.4 in 2014). Reasons for this decrease include more management attention to employability after an accident and better recording of accidents and absence.

### Chromium (VI)

This year in June, the harmful substance chromium (VI) was found in old layers of paint and parts of some trains. NS immediately informed staff, the works council, the inspectorate and trade unions. Hazardous operations were suspended

and there was an investigation. The safety precautions make sure the risk of exposure to hexavalent chromium is kept to a minimum and the standards are not exceeded. Improvement measures were also taken, such as modern dust caps and new working procedures. Furthermore, the Chrome-6 Programme was set up to inspect all aspects from the past and to involve staff.

## Energy

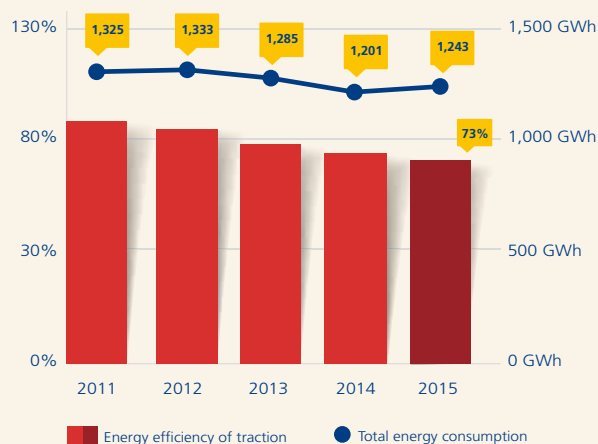
NS wants to reduce energy consumption in various ways. For instance, we are investing in new and upgraded trains that are much more efficient in their electricity consumption. We can improve occupancy rates by deploying trains more efficiently and tempting passengers to travel during off-peak hours. We will also continue the improvement of energy-efficient driving and shunting: in 2015, this resulted in savings of 8 GWh with respect to the previous year. Together with ProRail, we are examining whether power losses in the overhead lines can be reduced by increasing the voltage in the overhead lines to 3,000 volts.

In its efforts to provide sustainable transport, NS collaborates with Eneco, the sustainability organisation MVO Nederland, Urgenda, Groene Zaak (Green Business), ProRail and the Union Internationale des Chemins de Fer. In the rail sector we have been working according to Version 3 of the Long-Term Agreement on Energy Efficiency since 2011. We are also involved in the implementation and safeguarding of the Energy Agreement organised by the Social and Economic Council of the Netherlands.

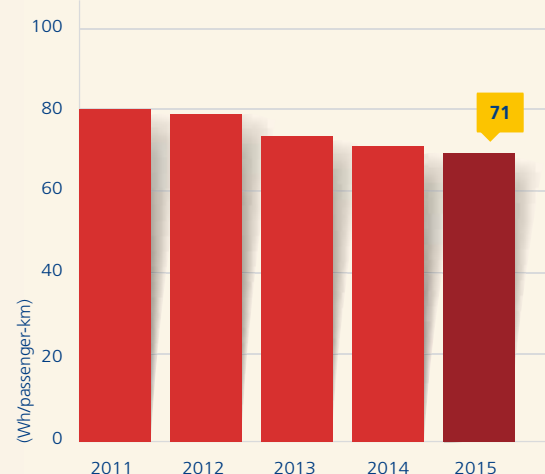
### Energy efficiency and CO<sub>2</sub> emissions

NS is one of the biggest electricity consumers in the Netherlands. 90% is traction - used for running the trains - and 10% is for our buildings. In 2015, energy consumption increased due to an increase in passenger transport. NS aims to be increasingly efficient in its use of electricity and we want all new sources of electricity to be sustainable. By 2020 we aim to be 50% more efficient in running our trains than in 2005. And as of 2018 we intend to offer our passengers climate-neutral train journeys by running on green power from newly constructed wind farms.

### Total energy consumption (GWh, electricity, diesel, replacement bus transport)

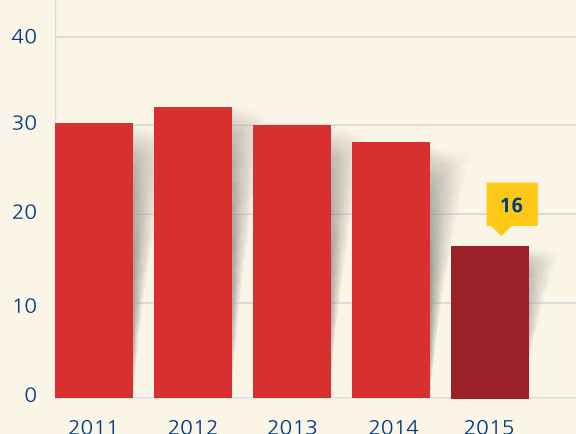


### Energy efficiency of traction (Wh/passenger-km)



	2005	2011	2012	2013	2014	2015
Total energy consumption in GWh	1,415	1,325	1,333	1,285	1,201	1,243
Energy efficiency of traction	100%	83%	81%	77%	74%	74%

### CO<sub>2</sub> emissions per passenger-km (grams CO<sub>2</sub>/p-km)



Our results	2015	2014	2013
Grams CO <sub>2</sub> /passenger-km	16g/p-km	28g/p-km	30g/pkm
Efficiency of trains in the Netherlands (compared to 2014)	+0.8%	+2.3%	+4.2%
Off-peak occupancy rates	28%	28%	29%
Green electricity for trains	51%	50%	11%
% of total sustainable energy facilities (joint transport venture for green electricity)	50%	50%	22%
Savings percentage from energy measures in facilities	5.53%	5.69%	

## Waste reduction and reuse

NS produced 17.8 million kilograms of waste in 2015 in its trains and at its workshops, stations and offices. Our aim is to be more efficient in our use of materials and we want new raw materials to be extracted from our waste. When disposing of materials, we look first to see whether the product can be reused, then we consider the reuse of product parts and finally the option of recycling the materials.

Because we spend one billion euros on goods and services every year, our measures can help boost the closed-cycle economy: NS ensures that manufacturers or suppliers can take the products or materials at the end of their useful life or phase of operation and reuse them in a new cycle, thereby not generating any waste.

### Waste: our results in 2015

- 32% of waste separated in offices, workshops, stations and trains
- 1.4% reduction in waste compared with 2014
- NS signed the Green Deal for waste reduction and recycling at stations and in trains.

More waste from the Retail organisation was included in 2015 than in 2014. Not including that increase (approx. 600 tons) there was a drop in waste (by weight) of 1.4% with respect to 2014.



### **Green Deal: more waste separation, less waste**

In February, the then state secretary at the Ministry of Infrastructure and the Environment, Wilma Mansveld, NS director Michiel van Roozendaal and ProRail Chairman and CEO ad interim Patrick Buck signed the 'Green Deal for waste reduction and recycling at stations and in trains'. The goal is to reduce the amount of waste at stations and in trains, to separate waste flows and improve waste recycling. NS and ProRail dispose of around 12,000 tons of waste from stations and trains annually, of which 12% is separated out. Infrastructure and the Environment, ProRail and NS want to reduce the amount of waste by 25% to 9,000 tons by 2020. They also aim to recycle 75% of those 9,000 tons: 6,750 tons.

As an initial test, NS and ProRail placed separate waste bins for paper and residual waste at Rotterdam Centraal station. These waste bins have stickers with instructions in striking colours and symbols so that passengers can clearly see that waste is to be separated. The new stickers have improved the 'purity' of paper in the paper bin by 15%. On average, 65% of waste in the paper bin is real paper. We are aiming for a purity level of 90%. Incorrect disposal of coffee cups has dropped from 40% to 10%. NS also started tests at Breda, Arnhem Centraal and Zwolle. Waste disposal tests will follow in 2016 at Alkmaar, Eindhoven and Tilburg stations. In addition to stations, old newspapers and magazines have been collected separately for recycling in a number of trains since September 2015. This is to be expanded to more trains in 2016. From 2016 onwards the first trains with separate central waste collection will start running.

### **Workshops**

Our workshops separated over 85% of their waste in 2015 (80% in 2014). This is waste produced in the maintenance and upgrading of trains.

### **2020: 80% of waste recycled as raw materials**

By 2020, we want 80% of our waste to be recycled as raw materials for new products. We aim to achieve this for example by:

- separating out waste at the source
- putting 'circular' procurement (cradle to cradle, focusing on the cycle) into practice when purchasing materials
- organising process ownership (waste managers) across NS business units in order to achieve waste targets
- collaborating with key stakeholders such as suppliers and ProRail

- Green Deal for cradle-to-cradle ('circular') procurement
- Green Deal for waste reduction and recycling at stations and in trains.

## **Better and More: developments on and around the tracks**

NS and ProRail are collaborating on improving performance on the tracks. In the Better and More programme ('Beter en Meer'), we are working together on the aspects Approach to Train Improvement, Adjusting and Controlling the Future, Approach to Station Improvement, Approach to Safety Improvement and Programming & Cooperation. The Better and More programme is derived from the Long-Term Rail Agenda and runs through the two companies: from a steering group led by the boards of NS and ProRail, to working groups with NS drivers and ProRail traffic controllers. The Approach to Train Improvement and Adjusting and Controlling aspects are especially important for reliable operations. The central theme is the operations 'outdoors'; the principle is that the improvement proposals should first be tested in practice. If they work, they become the standard.

### **More trains**

NS and ProRail will only increase the frequency of train services if the reliability of train services improves: 'quality over quantity'. In 2015 it was decided not to increase the frequency of train services on the Amsterdam-Utrecht-Den Bosch route in 2017, but it will probably happen instead in 2018. After extensive analyses, pilots and simulations, NS and ProRail decided to only run trains very frequently when it is certain that performance has improved.

### **Cooperation of passengers and staff**

To run trains both very frequently and reliably in 2018, the efforts and cooperation of our staff and passengers are essential. Following the Approach to Train Improvement, we started initiatives in 2015, such as new schedules for the individual trains produced in tenths of seconds, and we also tightened up departure procedures for conductors and drivers. (Electronic) signage for passengers shows where they can best wait on the platform. A customer campaign to inform passengers about the slicker procedures and the extra journey information will follow in 2016.

### **Solving disruptions rapidly**

Disruptions on the track cannot be avoided completely. To make sure any disruption is solved as quickly as possible, that

passengers are informed as well as possible and that they experience the least possible hindrance, we started the programme called 'Adjusting and Controlling the Future'. The goal is to act quickly and appropriately during disruptions. That is why in 2015 the boards of NS and ProRail decided to create a Central Monitoring and Decision-Making Unit. During disruptions, we also work with predefined scenarios for adjusting the train traffic, the first of which were developed in 2015.

### Long-Term Rail Agenda and stations

ProRail and NS Stations developed a joint vision and approach to improvement derived from the Long-Term Rail Agenda. An important step in this process is closer collaboration between ProRail and NS plus the express cooperation of regional carriers and authorities. A key element is creating attractive and comfortable stations for passengers, carriers and municipalities.

We are working together with ProRail on a good door-to-door journey, for example by providing better information about bus, tram and metro as well as more bicycle facilities. We are also creating a single common point of contact for service and complaints for all public transport carriers. We provide a transparent overview of what we provide and the costs of our services, creating an equal and fair playing field for all carriers. A special website for railway companies, public transport carriers and authorities, [www.stations.nl](http://www.stations.nl), went live in November. NS and ProRail want to provide more quality for less taxpayers' money and are aiming for a higher score from passengers.

## Staff in the Netherlands

### HRM & organisation

Providing good and reliable services to our passengers is only possible if we can offer optimum performance operationally with healthy, committed and skilled employees. That is why we invest in the development of employees, why we support the management, improve the quality of the basic processes and improve the organisation's effectiveness and power to change. This also demands effective collaboration with employee participation and trade unions.

### Our employees

- At the end of 2015, the NS workforce comprised 20,739 staff (17,808 FTEs).
- 82% of NS staff have permanent contracts.
- Women comprise 34% of the employees at NS.

- The average age of our employees is 43.

### Trends in the labour market

The economy is picking up, and it shows: the labour market is becoming tighter, especially for target groups such as technology and IT, which are already scarce. NS is taking mitigating measures with targeted recruitment, in-house training, consideration for staff engagement, the retention of professional skills and the development of talent. We are doing this to keep our leading position in the Dutch labour market. To remain visible on the labour market we started the NS Techwerk campaign. This campaign generated a lot of attention among technical staff. A recruitment game in which students actively get to know the technical jobs at NS has also been developed. These activities increased the number of people interested in a technical job at NS by 68%.

Additionally, NS participated in the IT event called 'Hackatrain' where we went to Berlin with students by train. During this journey they got to know NS via e.g. business cases.

### Recruitment

In 2015, we filled 3,553 vacancies for people with vocational qualifications and 596 vacancies for graduates (34 of them trainees). In addition, 73 people started with us on work experience programmes. We want to provide young people with work experience through such placements, as well as getting them interested in NS. In 2015 the InhuurDesk (hiring desk) filled 792 temporary positions with external employees.

### Employee participation

The Central Works Council (COR), for which elections were held in September, met regularly in 2015 and produced advisory reports. The irregularities in the tendering procedure for train and bus transport in Limburg and the investigation by the parliamentary committee of inquiry in particular demanded a lot of attention from the COR.

In addition, together with the Executive Board, the Central Works Council completed the large-scale TOP programme, which led to improvements in quality and more efficient organisation of the finance, HR, IT and procurement processes. The Central Works Council and NS Executive Board also reached an agreement about a new code of conduct for employees.

### Staff engagement

The last Employee Engagement Survey was conducted in

2014, and we have agreed to go back to a frequency of once every two years. The next Employee Engagement Survey will be held in 2016. For those who want interim measurements to quantify improvement and successes, NS developed a simple instrument in 2015 that can be used to examine a limited

number of questions from the standard survey at just a low cost. This has already been used in 2015.

As NS also wants to know more about departing employees, a digital exit interview has been developed. This has been offered and carried out since the second quarter of 2015.



# The door-to-door journey

12.3





A seamless journey from the starting point to the final destination makes public transport a more attractive option for passengers. Customer satisfaction with the public transport smartcard grew and public transport bicycles were used more frequently. The Journey Planner Xtra app got more functionalities that help simplify train travel.

## Use of the OV-chipkaart

Around 600,000 passengers daily use their public transport smartcards to check in and out. Satisfaction with travelling with the smartcard is growing: 79% of passengers gave a score of 7 out of 10 or higher to travelling with the smartcard, as compared to 72% a year ago. The scores for convenience and feeling of safety have also increased. Passengers have more confidence that NS handles travel details correctly. They see the benefits of the public transport smartcard and believe that pre-paid travel is easier than buying a paper ticket. 92% of passengers give conductors a score of 7 out of 10 or higher for their expertise concerning the public transport smartcard.

### More gates in use

In order to improve personal safety for passengers and staff at stations and in the trains, NS is fitting access gates at some eighty stations. Due to safety incidents early in 2013, access gates were put into use earlier than planned at some stations. The number of stations with access gates is now 54. That is fewer than the planned number of 58: we have not reached agreements with several municipalities about the access gates being brought into operation. The transit pass is a tailor-made solution for people who want to go freely from one side of a station to the other.

After a successful pilot at Rotterdam-Zuid station, we introduced transit passes at Deventer, Gouda and Weesp stations in 2015. A few more stations will follow suit in 2016.

Passengers say that the access gates make them feel safer and that this feeling will increase if NS brings all the access gates into operation. They believe that the gates will mean fewer fare dodgers and that the gates help to remind them to check in and out.

## Journey information improvements

Every year, NS issues more than 500 million items of journey advice about timetables, engineering work and disruptions. In 2015, we provided advice in good time for over 79.9% of disruptions (2014: 78.8%). The scores for our journey information rose slightly and ended up at 74.3% (2014: 73.7%). Correct and timely journey recommendations put passengers more in control and let them make better choices.

### Improvements to the Journey Planner Xtra

NS provides 680,000 journey recommendations every day through its Journey Planner Xtra app. The app has now been downloaded 4.4 million times. Some of the improvements to the Journey Planner Xtra app:

- The door-to-door journey recommendations have been im-

## Customer satisfaction with the OV-chipkaart

Customer satisfaction with the public transport smartcard (OV-chipkaart) and using it for travel

Ease of use rating for the public transport smartcard (OV-chipkaart)

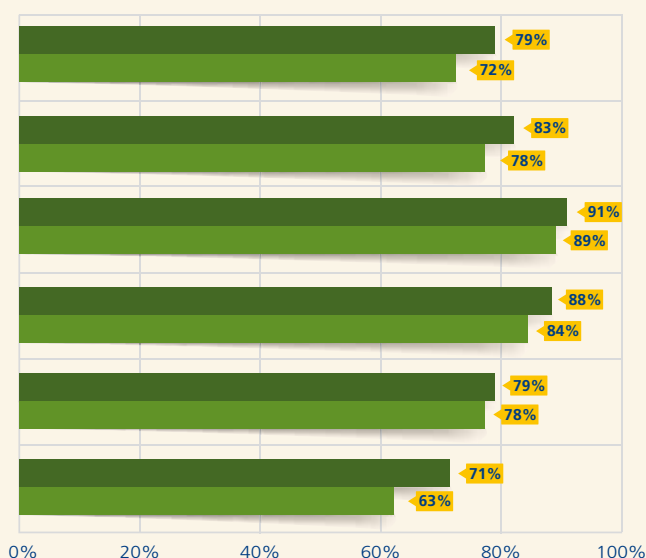
Feeling of safety on the train

Feeling of safety on stations with access gates

Feeling of safety on stations without access gates

Agree (very much) that the gates contribute to the decrease in fare dodgers

2015 2014



The percentage reflects the number of passengers giving a score of 7 out of 10 or higher

proved substantially thanks to a link to the up-to-date public transport journey recommendations from 9292.

- The design has been refreshed: journey recommendations are clearer and the warnings about disruptions and work on the track have been improved.
- It is easier to see where you change trains without having to change platforms and users can request alternative journey options from a particular station more quickly.
- The app displays an overview of the public transport bicycle numbers available at each location and it is possible to book an NS Zonetaxi directly.

### Other achievements

The app for NS International offers more convenience with more functionality for mobile tickets and monitoring your journey. The ns.nl website also underwent a complete redesign.

#### Performance indicators for the transport franchise

Performance indicator	Minimum baseline	Achieved
Journey information in the travel chain	78.0%	81.8%

## Information in the event of disruptions

Information during disruptions about the cause, location, consequences, expected duration and alternative routes is essential for letting passengers make the right choice about their journey. In 2015, NS worked on a new system for information about disruptions. Thanks to this new system, passengers get information more quickly because the process from receipt to message now runs via a single IT system. The passengers also receive information through more channels. For instance, there is now more room on the screens with departure information for text and explanations.

#### Performance indicators for the transport franchise

Performance indicator	Minimum baseline	Achieved
Information on the train and at the station about disruptions	75.0%	79.9%

## NS Fiets

More than 40% of passengers come to the station by bicycle. They are able to use supervised bicycle storage facilities for around 120,000 bicycles, unsupervised facilities for more than 310,000 bicycles and more than 14,000 bicycle lockers at stations. NS expects the number of cyclists to continue to grow over the years to come, and is therefore developing a new setup for the bicycle storage facilities. We want to make storing your bicy-

cle in the storage facility a more attractive option than leaving it on the street. Our offering includes one day's free storage, digital indications of the free storage slots, the option of paying with public transport smartcards, and a high-quality uniform design. After this was introduced in Utrecht and Breda in 2014, NS and ProRail agreed with the municipalities in 2015 to provide it at the stations Heemstede-Aerdenhout, Oss and Deventer, among others. We also opened new bicycle storage facilities in 2015 in Delft, Leiden, Alkmaar, Eindhoven, Beverwijk and Deventer.

Bilthoven became the first station to have bicycle storage according to the new 'self-service concept': transparent access doors, free storage for the first 24 hours, access using your bank card, and public transport bicycles available.

Since 2015, passengers have been able to charge bicycle storage to their account and combine an OV-fiets (public transport bicycle) season ticket with their rail season ticket. This lets them store their bikes in 34 storage facilities and charge the cost to their account. This number will increase in the years to come.

## Bicycle & Service

To help passengers continue quickly on their way and minimise the inconvenience, we opened a new retail format for bicycle repairs, bicycle parts and bicycle accessories in 2015 at Utrecht, Amsterdam Centraal, Hilversum and Delft stations. Bicycles that are brought for repairs before 10:00 are ready by 16:00. The first evaluation shows that passengers really appreciate the new format. In 2016 we will be opening these service points at more stations.

## OV-fiets

In 2015, private individuals and business users taken together made over 1.9 million trips (2014: 1.5 million). At the end of 2015, there were about 177,000 subscribers. The OV-fiets is available at 277 locations. Most of these rental points are at NS stations, but the OV-fiets can also be rented at metro and bus stations, in city centres and at P&R sites.

In 2015, an invitation to tender was issued for new public transport bicycles. One aspect of this was a customer test: passengers could try out different public transport bicycle models on a test track in Jaarbeursplein square in Utrecht. Other criteria were the quality of the bicycle, convenience, price, sustainability and ease of maintenance. The first 1,000 new public transport bicycles will be arriving in the bicycle storage facilities in 2016. The most important improvements are an aluminium frame with integrated headlight, improved bicycle saddle height adjustment and a more roomy baggage carrier. Furthermore, 1,000 old public transport

bicycles will be recycled to create new public transport bicycles. The first 100 are already in use. Since October 2015, passengers have been able to check the availability of public transport bicycles in real time with the NS Journey Planner Xtra app.

In order to be able to keep offering enough bicycles in the peak months of September and October, we have installed additional public transport bicycles at the 12 stations with the highest demand, including Amsterdam Centraal, Utrecht Centraal, Rotterdam Centraal, Den Haag Centraal, Groningen, Arnhem Centraal, Den Bosch and Nijmegen. We have also created temporary rental service points at Amsterdam Zuid and Den Haag Centraal. In the summer, the OV-fiets events team was present at various major events with 100 extra bicycles, including theatre festival De Parade in Amsterdam and The Hague, Sail and World Port Days in Rotterdam.

## Car parking

13% of rail passengers use the car to get to the station. In 2015, we constructed or improved 1,300 parking spaces. There are now more than 35,000 parking spaces in station areas.

## Greenwheels

Greenwheels cars are available at 1,700 street corners in 90 towns and cities. Greenwheels cars are available at more than 80 stations.

## NS Zonetaxi

The NS Zonetaxi can be booked from 136 locations. It takes passengers to and from station for fixed fares. In 2015, there were 10,500 new subscribers (making a total of 25,775). Subscribers made a total of more than 16,000 trips last year. As of October 2015, it has been possible to book an NS Zonetaxi simply via the Journey Planner Xtra app.

## Transfer

Together with ProRail, NS provides safe, logical and readable pedestrian routes between trains, as well as between trains and other connecting transport. We also regularly study passenger flows at stations. Since 2013, we have been carrying out continuous measurements of passenger flows at two major stations – Leiden Centraal and Schiphol – by means of the so-called SMART Station. We are currently putting the finishing touches to automated pedestrian flow measurements at Amsterdam Centraal station. We will use the results to improve services at existing stations and during renovation work.

## OV Service Shops: public transport service centres

NS is collaborating with other carriers in providing public transport service centres – ‘OV-servicewinkels’ or service shops – at stations. Customers can go there for help with their queries about public transport travel. In June 2015 we opened a service centre in the IJ Hall at Amsterdam Centraal. Here we are collaborating with GVB, EBS and soon with Connexxion too. In Utrecht, we opened a public transport service centre together with U-OV, in July and in November a centre was opened in Arnhem in partnership with Breng. This brings the total number of public transport service centres to five. Customer surveys show that passengers appreciate the new centres and find them an improvement on the old Tickets & Service centres.

## Retail at the station

NS started developing its own retail solutions in an effort to respond to our passengers’ wishes. Ten years ago, there were no market players capable of doing this. That has changed in recent years. NS will continue to provide retail services itself where this offers benefits to passengers and where we can offer distinctive value. This is the case for Kiosk, for example, which was designed to meet specific passenger requirements. In addition to Kiosk, NS Stations will continue to operate train catering and the StationsHuiskamer format.

NS will investigate the possibility of gradually outsourcing some of the retail facilities we offer over the coming years through franchising. NS will continue to have a coordinating role so that it can offer passengers a good, varied range in the future too. In 2015 we placed the Burger King, La Place Express and Ola Happiness Station formats on the market. The result of this was that NS decided to transfer the Burger King and La Place Express outlets to HMS Host. Ola Happiness Station was transferred to Unilever. The retail staff will also transfer to the new operator while retaining comparable employment terms and conditions.

### Further development of formats and new formats

In 2015, Broodzaak and Kiosk were developed further with the aim of better meeting passengers’ needs. The new version of Broodzaak opened at Utrecht, Amersfoort and Den Bosch. An entirely new Kiosk can be found at Utrecht Centraal, Amsterdam Centraal and Amsterdam Amstel. The new Enoki format keys in to the desire for fresh Asian food at stations. The format will be tried out with passengers in the coming year, including in the Fresh Food Court at Utrecht Centraal.



# Other activities

12.4





## NS as an employer

### *Collective labour agreement 2015-2017*

A new collective labour agreement (CAO) was concluded with the trade unions in 2015 covering the period from 1 May 2015 to 1 October 2017. Some key agreements in it were:

- Wages will rise by a total of 5% during those 29 months.
- There was an additional increase to some secondary employment benefits.
- In connection with the NS Next programme, which deals with time-independent and location-independent working, there will be a package of employment conditions for staff who do not work shifts that links flexible working to result commitments.
- Measures will be taken that support long-term employability of NS staff.
- There will be a new social plan to provide assistance at an early stage in finding a new job for employees who are eventually likely to become surplus to requirements.

### *New pension scheme*

The agreements about a new pension scheme are an important element of the new CAO. NS discussed the effects of the new pension legislation in a working group with the trade unions. The result is a scheme at the maximum level possible under the new (more sober) tax rules with a pension contribution of 24%. A new feature is that the pension contribution agreements for staff members are now included in their entirety in the CAO. The new pension scheme and the pension contribution agreements come into effect on 1 January 2016.

### *Code of Conduct*

As of last year, a new code of conduct has applied for everyone within NS, both staff and managers. It was drawn up in consultation with the Central Works Council (COR). The code of conduct describes desired conduct at NS and is the principle underpinning our aim of putting passengers at the heart of the services NS provides. Further coordination will take place with the new Chief Governance, Risk & Compliance Officer (CGRCO), who started in February 2016, to make sure that staff act in accordance with the spirit of the new code.

### *Diversity & inclusiveness*

NS wants to be seen as an attractive employer where everyone can feel at home. This can be done by making the workforce and management reflect the composition of society at large, therefore letting NS ensure it is a diverse and inclusive

organisation. Agreements were made about that in the new CAO as well. We encourage the recruitment and retention of women, employees from ethnic minorities and people at a disadvantage in the normal labour market. We expect our suppliers to do the same.

### **Women at the top**

In 2015, women comprised 25% of the senior management at NS. 14% of the Executive Committee members were female. Last year, 36% of the NS Supervisory Board were female, as were 67% of the Remuneration Committee. The Executive Board did not have any female members. As of 1 February, with the arrival of a new, third member of the Executive Board, one of its three members is female.

### **People with occupational disabilities**

In accordance with the CAO, we arranged for about 40 people with occupational disabilities to gain work experience with us last year. These were people covered by the Invalidity Insurance (Young Disabled Persons) Act or the Sheltered Employment Act, plus our own employees with occupational disabilities. In the new CAO, we agreed to create 200 lasting jobs for this target group. NS has acquired considerable experience in this field and is regularly invited by large employers and government ministries to share its experiences.

### **Ethnic minority employees**

NS is aiming to increase the number of staff from ethnic minorities, particularly in management positions and the higher salary scales. Last year, NS started on a positive discrimination programme for management. For example, when there is an external job vacancy we try to make sure that 25% of the candidates in the final selection round are from the ethnic minorities.

### **Former refugees**

NS is closely involved with the UAF foundation, which helps more highly qualified refugees find appropriate positions within society. In a pilot project in 2015, NS provided four paid work experience placements for people with refugee backgrounds. That let them gain work experience and potentially progress to a regular job. The successful pilot has been embedded in our CAO: every year, NS will create five paid work experience placements for refugees. We are doing this because we believe in the added value that people with a refugee background can offer. They broaden our perspective

and offer additional international focus. Our CFO Engelhardt Robbe is the NS ambassador for UAF. He is working to achieve a better position for UAF clients in the private sector. In November 2015, NS hosted a symposium for employers and highly educated refugees about work experience placements for refugees.

### Learning at NS

We are continually changing in our efforts to guarantee good operational and financial performance in the future. For example, changes in behaviour and new expertise are required in technology, collaborations, approaches to customers and in many other areas. Changing and learning go hand in hand. NS is prioritising informal learning and learning on the job, with the aim of accelerating the application of new knowledge and skills.

### Training drivers and conductors

The professional skills of our drivers, chief guards, safety staff and mechanics remain at the heart of all our learning activities. More than 15,000 of our 20,000 employees are receiving training. The annual nationwide refresher training ensures the continuing employability of more than 3,000 drivers. 436 new drivers and conductors were trained in intensive programmes, making them even more highly skilled employees.

### NedTrain

At NedTrain there is an intensive additional training programme in which we train all mechanics up to the desired vocational qualification level. This ensures that they are properly prepared for the future. They can then specialise further in new train technology and working methods.

The 'Qualified work' programme started in March. It is helping make the production process more predictable and flexible, which will result in reliable, safe trains. 'Qualified work' is embedded in our day-to-day practice and can be clearly seen in operation at business-critical points.

In the TechniekFabriek ('technology factory'), 66 young people with a talent for technology are taking a two-year Mechatronics course that will give them an MBO-2 vocational qualification. In this course, teachers from NS, ROC Twente and ROC Amsterdam teach them on the job. After they have obtained their qualification, they can start work immediately as a qualified apprentice mechanic; 27 former apprentices started work in September.

### Stations

Staff from the station operating company have completed a total of over 5,000 online safety modules. They were also given assistance at work for this.

### Finance and IT

The finance and IT change programmes were supported by a dedicated training curriculum for 1,150 specialists. Furthermore, we are continuing to invest in trainee programmes and management development programmes.

### Leadership at NS

People in leading positions at critical places in NS need to be decisive and flexible if they are to be able to improve operational and financial performance. The operational managers are important, as are the 190 managers in positions that:

- have a major impact on passenger-oriented performance and in the operations;
- are specific to the company (a scarce resource);
- are company-critical.

We are investing in developing the current leaders and moving them onwards and upwards, as well as preparing the future leaders. We have a picture of the internal successors for both the longer and shorter term. Of the seven appointments last year to the top 35 positions, over 55% have come from the succession planning.

### Leadership development

25% of people taking part in the Navigator management development programme progress to a key position within 1 year. The other 75% are listed in the line of succession. The other management development programmes (CAP and the trainee programme) also create a line of succession for the future. By 2015, 30% of the first three groups of trainee programme graduates were employed in key roles. About 50% of people who took part in CAP now occupy key positions or are listed in a succession plan.

NedTrain completed its leadership development pathway in 2015. Over 250 people in leading positions took part in a management training course in order to improve their leadership skills.

### Team development

In addition to individual qualities, good leadership also requires excellent skills in interaction, being able to work in the chain, a focus on results and being able to create effective

teams. NS offers training elements that help team development and control of both performance and processes. These could include assisting the team with its agenda, composition, cooperation and results. The aim is to create effective teams. Various management teams started using this in 2015.

### **Sickness absence**

The sickness absence figure for NS in 2015 was 4.9% (with the first and second years corrected for lighter duties). This is lower than in 2014 (5.2%). Targeted actions within NSR meant that absences went down for them in 2015; sickness absence in other business units increased slightly.

### **The tender process for primary occupational healthcare**

NS issued a tender in 2015 for primary occupational healthcare. The tender was awarded to Arbo Unie. The core is an 'In your own hands' model that gives the manager and the employee more responsibilities in the process of the illness and recovery.

### **Mobility**

Employment mobility is a theme that has clearly been given a prime position before, during and after organisational changes such as the TOP programme. Agreements from the new Social Plan also encourage mobility, as do the new statements in the collective labour agreement about long-term employability.

In addition to assisting its employees in reintegration, when they become surplus to requirements or in outplacement, NS is also helping an increasing number of staff who want to get a better picture of their career options. In 2015, nearly 800 staff took up the offer of help and advice from the Careers Advice department. Studies have also been carried out into the factors that restrict mobility. The results of this will be implemented in 2016.

### **Outsourcing HR services**

NS is outsourcing the HR services associated with pensions and salaries. There was a contract for this with SPF Beheer which expired last year; the partner stated that they wanted to sell the activities to a third party who would be able to guarantee the continuity of the HR services. After an extensive examination of the books, Launch!HCM BPO Service BV was given a contract as the new partner from 1 January 2015 onwards.

## **Sustainable procurement**

NS purchases over €1 billion of goods and services annually. As the purchasing party, NS can exert an influence on suppliers to get them to make their products and processes more sustainable. This lets them make a major contribution to our sustainability objectives.

Our CSR requirements are stated in the procurement governance rules and are also embedded in the General Terms and Conditions of Purchase ([www.nsprocurement.nl](http://www.nsprocurement.nl)).

We also work closely with the market parties and challenge them to submit innovative and sustainable offers. We are using the following initiatives to carry out our steering role:

- **Supplier assessments**

Since 2014 we have been carrying out Corporate Social Responsibility (CSR) assessments at our biggest suppliers, looking to see how they handle aspects such as the environment, the social and ethical sides, and the supply chain. Scores make it possible to compare suppliers and estimate the risks. Assessments were also used in 2015 for awarding contracts. All parties who are awarded a contract are required to complete a CSR assessment. NS is working together with DB, SNCF, Alstom, Bombardier and Knorr Bremse on the Railsponsible initiative, with the aim of using it as the standard methodology within the rail industry.

- **Making procurement more sustainable by using tendering plans and 'circular' purchasing (i.e. looking at recycling etc.)**

NS uses a tendering plan for its European tendering activities. This is an internal document that describes the process steps that are needed when preparing an invitation to tender. The tendering plan uses Socially Responsible Procurement (SRP) for describing the selection and award criteria. These criteria were embedded within the plan in 2015.

- **Code of conduct for suppliers with the biggest spend**

Every year, the suppliers that NS spends most with are asked to subscribe to our codes of conduct, if they have not already done so. The code of conduct states explicitly what conditions we want to do business with suppliers under. One general requirement is for instance that suppliers must shoulder their share of responsibility in socially aware business practices and subscribe to the principles encapsulated in relevant standards, as laid down in such documents as the Universal Declaration of Human Rights and organisations such as the ILO, OECD and ICC.

The code became part of the contract for new suppliers in 2015. NS arranges for an independent party to check whether

suppliers are complying with the code of conduct. If the code is not observed or if there are infringements, we first assess the risk. Then we start discussions with the supplier and ask for an improvement plan. In cases of serious violations such as corruption, a decision to terminate the relationship may be made. This is also stated in the model contracts. Exclusion criteria also apply to subcontractors used by our suppliers.

NS subscribes to the code of conduct drawn up by NEVI, the Dutch association for purchasing management, which provides guidelines for acting ethically and for fair business practices (Guide to responsible procurement, NEVI 2012). NS has drawn up a policy to prevent bribery and corruption. As part of the implementation, all purchasers within NS are taking an e-learning module on Ethics & Compliance, and attention is being paid to the importance of the proper observance of the policy.

## Innovation

As a nationwide carrier, NS wants to be in the vanguard of sustainable mobility, with an attractive product. This ambition is a driving force behind innovation and something we focus on together with our staff, sector partners and other stakeholders such as suppliers. We encourage each other to develop new technologies, services and products that will improve

the service we provide to passengers. Examples are:

- Extensions to the Journey Planner Xtra app to let you check the availability of OV-fiets bicycles
- A new chat function for NS Customer Service
- Travelling on account
- A new concept for bicycle storage and service
- Routelint
- ORBIT

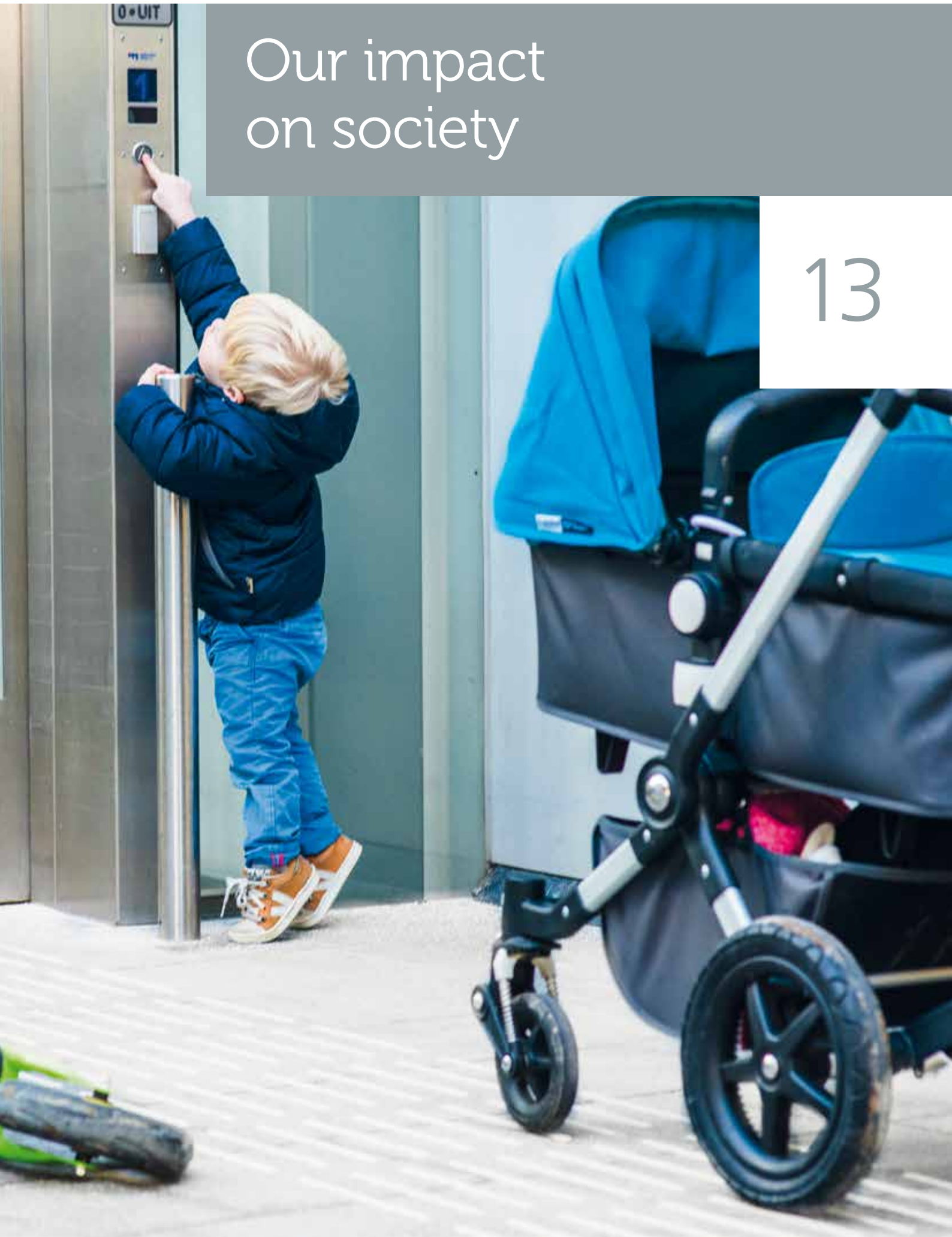
### *Innovation fund*

NS wants to invest in start-up businesses with smart solutions for mobility in the Netherlands. To get into contact with promising start-ups with concrete business ideas, we will be working in 2016 with the ANWB on a Smart Mobility Pitch Event in Delft. Cooperation between NS and start-ups in mobility can take the form of a partnership, financing for the start-up or a launching customer. NS set up the NS Innovation Fund to let it invest in these start-ups. In total, NS has €5 million available. This fund is on top of NS's participating interest in the Mainport Innovation Fund II (MIF II), a cooperative venture involving NS, the Amsterdam Port Authority, KLM, Schiphol and Delft Technical University. NS invested €3 million in that earlier this year.



# Our impact on society

13



More than 1 million trips by train and bus every day mean that NS has a major impact on society in the Netherlands: on mobility, safety, emissions and expenditure. We express the positive and negative environmental and socioeconomic effects on our surroundings in euros in order to present a transparent picture of the breakdown and scale of this social impact.

## Our impact in a nutshell

The diagram below shows developments from 2014 to 2015 and the relative scale of the social impact. Passengers travelled 500 million kilometres more by train in 2015, which means that our positive social impact on mobility and safe travel has improved. Because trains get 50% of their traction energy from wind, our environmental impact has improved. An increase in the number of delays and crowded trains has however meant that journey times are worse.

### Socioeconomic impact

Travel has a positive impact: you get from A to B. This positive impact has been calculated using data from the customer investment model (KiM). Because more customers have been travelling with NS, our contribution to society in 2015 had a positive valuation of €7,033 million (as opposed to €6,769 million in 2014).

The negative impact of travelling, the consequence of the journey time, delays and reduced comfort (e.g. not getting a seat) was assessed as €5,455 million in 2015 (€5,153 million in 2014). There has therefore been an increase in the negative impact, caused by the fact that the number of passenger-kilometres was higher in 2015, in addition to more delays and more crowded trains.

### Impact on the environment

The negative environmental impact as compared to the car improved by €25 million in 2015, particularly as a result of

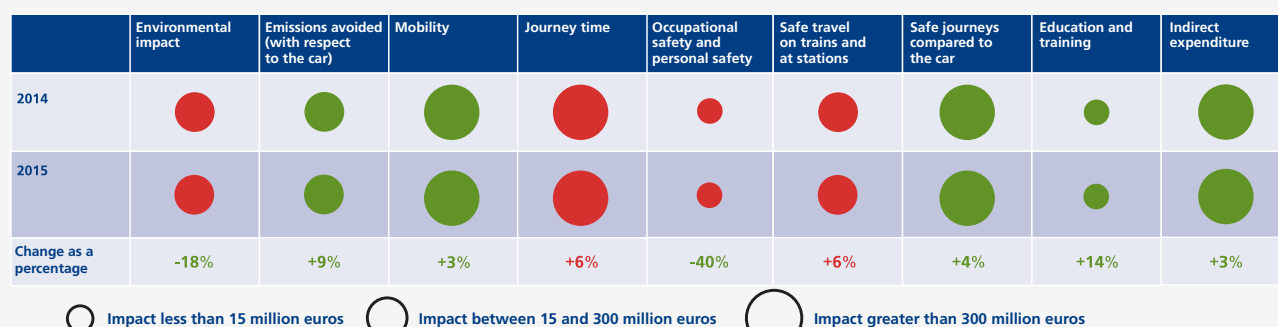
the new energy contract signed with Eneco in 2014. This meant that 50% of the traction energy for our trains was from new green power sources in 2015; by 2018 it will be 100%. In 2015, the positive environmental impact of travel with NS compared to using the car rose to €196 million because the burden on the environment was less.

## Why produce an impact analysis?

The social impact analysis underlines the importance of our role in Dutch society as a public transport provider and shows that we are already creating social benefits that are many times greater than our financial results. It also provides us with insights into the social costs of our services in terms of e.g. emissions, safety and journey times. It also underlines the importance of continuing our door-to-door strategy.

*"This analysis helps us explain our economic, social and environmental impact on society more clearly, as well as showing how these effects are interrelated. The calculations help improve the social return on our investments and provide a factual basis for our discussions with the stakeholders. This yields better services for passengers and society."* Engelhardt Robbe, CFO NS

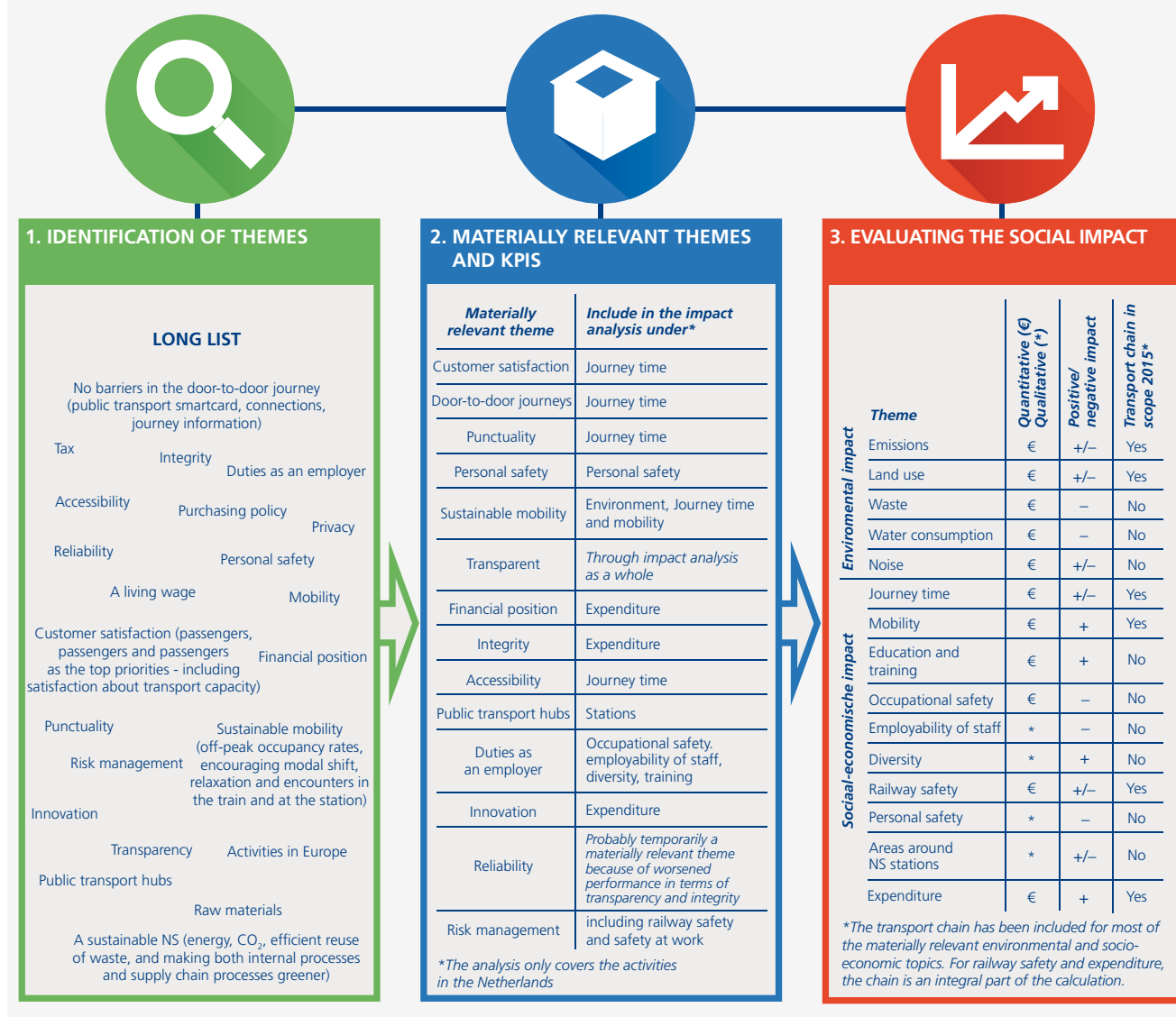
NS intends to integrate the results of the impact analysis in strategic decision-making and investment decisions. This will not only let us focus on achieving the financial and operational results, but also on increasing the positive sides and



lowering the negative sides of the social impact. NS worked out a case study in detail for 2015, testing how impact analyses work at the project level, and as a step towards more detailed management information so that we will be better

able to provide services for passengers and deploy our resources - including the financial ones - better. See the 'Case study of alternatives for reducing crowding on the Rosmalen to 's-Hertogenbosch route'.

## Social impact analysis NS



## Material relevance as the principle for quantifying the scope

The material topics covered in the material relevance matrix were the foundations for the scope of the social impact analysis (steps 1 and 2 in the diagram). For each theme (step 3) we show the impact of NS - quantitatively if possible and otherwise qualitatively - including the strategic priorities and the actions to improve this impact.

## Growth process

NS sees the impact calculation as a growth process. 2015 was largely about improving the robustness of the underlying data, refining the methodology and integration into our organisation. There was no broadening of the chain scope or of the quantifiable themes. We are focusing in 2016 on further integration of the social impact calculation into investment decisions.

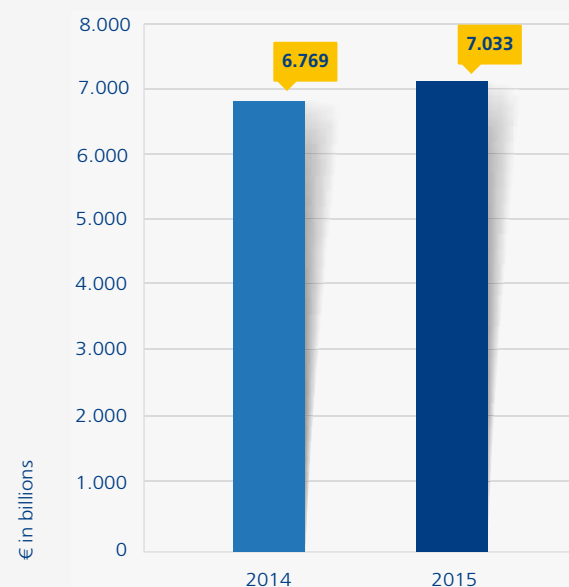
We are publishing the methodology, the underlying principles and the choices made on [www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen) so that the results can be put in the appropriate context. This is how NS wants to inspire other companies and help develop a standard for calculating social impact. In 2015, NS was invited by Yale to develop a study case about calculating social value. This will become part of the curriculum in 2016. NS is also contributing to a standard for impact analysis by taking part in the 'Social Value Creation' initiative by De Groene Zaak, a Dutch partner of the World Business Council for Sustainable Development.

## Changes to the system used in 2014

As stated on page 107, the methodology has been refined or adapted in a number of areas. This has led to the comparative figures for 2014 being adjusted in various fields. The areas most affected are:

- mobility: calculations based on passenger-kilometres (2014 was €7.0 billion; the new 2014 figure is €6.8 billion)
- impact on the environment: emissions avoided, adjustments to the assumptions made for elective passengers (2014 was €96 million; the new 2014 figure is €121 million)

## The importance of mobility



## Key trends in the social impact analysis for 2015 with respect to 2014

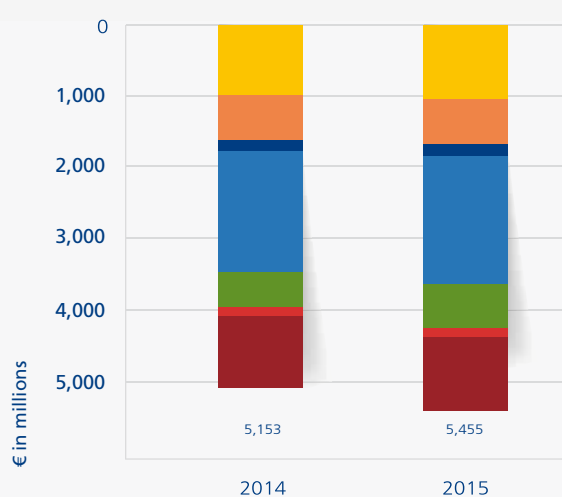
### Socio-economic impact of mobility and journey time

NS and its sector partners are creating a socio-economic impact by providing mobility and by giving society the opportunity to move from A to B for working, studying or recreation, thereby contributing to economic traffic. Travelling by train also helps connect people and promotes social inclusivity. The importance of mobility in the Netherlands has been valued by the Kennis Instituut Mobiliteit (a mobility knowledge centre) at a minimum of €70 billion. At 37 euro cents per passenger-kilometre, €7,033 million of that can be ascribed to NS (€6,769 million in 2014).

The travelling time for the door-to-door journey results in social costs because passengers are not able to utilise their time as they would like. This applies above all to time lost to delays and to time spent in overcrowded trains. The social costs of travelling time were approximately €5,455 million in 2015 (€5,153 million in 2014). This poorer result is partially explainable by the fact that the amount of travel by train increased in 2015. Delay times increased with respect to 2014 because there were more major disruptions, such as a cable break in Utrecht, a power failure in Noord-Holland and a fault at the traffic control point in Utrecht. In addition, time spent in crowded trains increased in 2015.

To improve the social impact of mobility, NS aims to provide accessible and affordable public transport. We focus on minimising journey times, for example through the Better and More

## Journey time





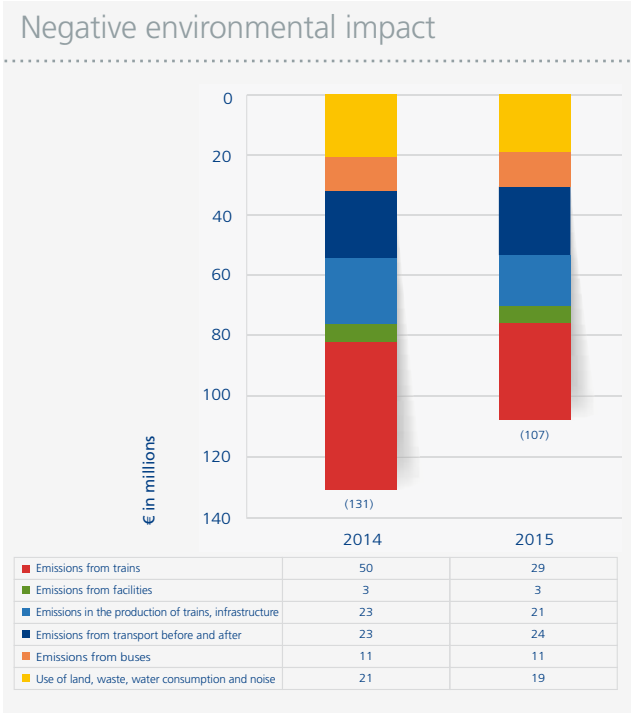
programme which lets us make direct changes aimed at improving waiting times, punctuality and capacity. We also aim to reduce journey times by removing the barriers for changing between the train and other modalities, as well as by providing the best possible information. In addition, we are increasing accessibility and comfort by a better distribution of passengers during busy periods, deploying new rolling stock, and through facilities such as quiet zones and Wi-Fi in the train. This makes it possible for passengers to utilise their journey time more effectively, reducing the social costs of travel time.

Part of the negative impact also comes from the adjacent steps in the transport train, before and after the train (€2,144 million). In short, the impact analysis shows that ‘time is money’: the time of the entire journey needs to be shortened, and time spent in the train must be used efficiently and comfortably.

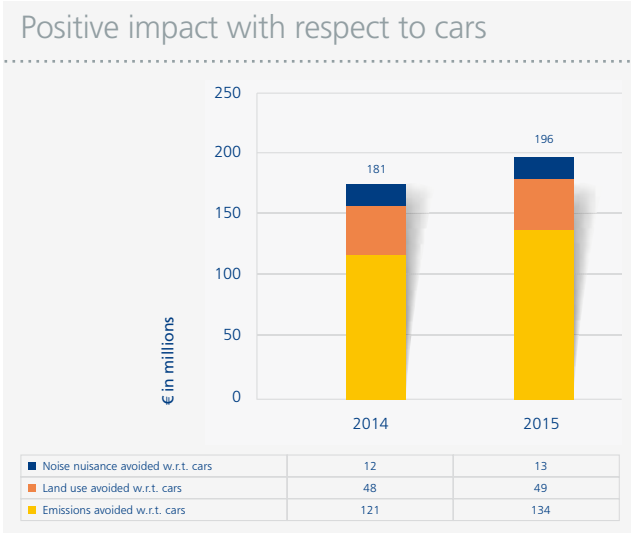
**Impact on the environment: emissions, land use, waste, water and noise**

The negative environmental impact is above all the result of using fossil fuels for running trains. Consuming fossil fuels causes air pollution through emissions of e.g. CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> and fine particulates. This has a negative impact on climate, nature and health, resulting in social costs. Land use, waste, water consumption and noise nuisance also result in negative environmental impacts. Compared with cars, NS has a positive environmental impact. Travelling by train avoids some air pollution in fact, because it – along with the public transport bicycle – is relatively low compared to car journeys and alternatives for transport to and from the station. The positive environmental impact with respect to the car is only calculated for ‘elective passengers’, i.e. those who are willing and able to make a choice between the car and the train.

The current negative environmental impact was about €107 million (€131 million in 2014, using the adjusted calculation), broken down into about €62 million as direct consequences of NS and about €45 million in the chain as a whole including transport to and from the station, the manufacture of the trains, plus electricity and infrastructure. This positive environmental impact of emissions that were avoided with respect to the car was approximately €134 million in 2015 (€121 million in 2014, using the adjusted calculation). The positive impact of noise and land use with respect to the car have been added. This refers to roads and noise abatement measures that are not required because passengers are opting for the train.



These factors increased the overall relative positive impact of the train with respect to the car to about €196 million. The reduction in the negative impact and the increase in the positive impact of emissions derives from the fact that NS has reduced its direct emissions since 2015 by choosing new wind energy as its source of electricity. Half our trains ran on wind energy in



2015. By 2018, all trains will be climate-neutral (zero grams of CO<sub>2</sub> emissions). This choice means that NS will reduce its negative environmental impact between 2014 and 2018, to the tune of about €70 million, and have a positive impact that is about €30 million greater. The negative environmental impact fell because NS sold some of its land in 2015, so that the impact due to land use was reduced.

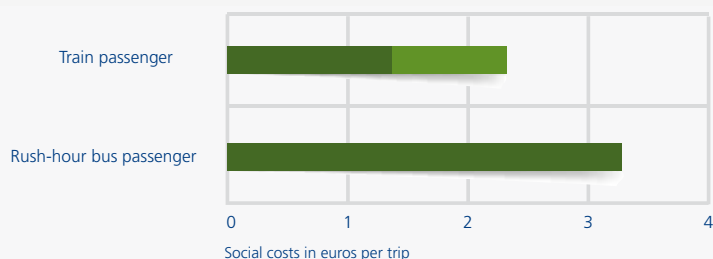
## Case study: alternatives for reducing crowding on the Rosmalen to 's-Hertogenbosch route

NS had to cope with rolling stock shortages last year. There were extremely crowded trains during the rush hours on some routes. NS ordered additional rolling stock in order to create more capacity and reduce the pressure. Until the new

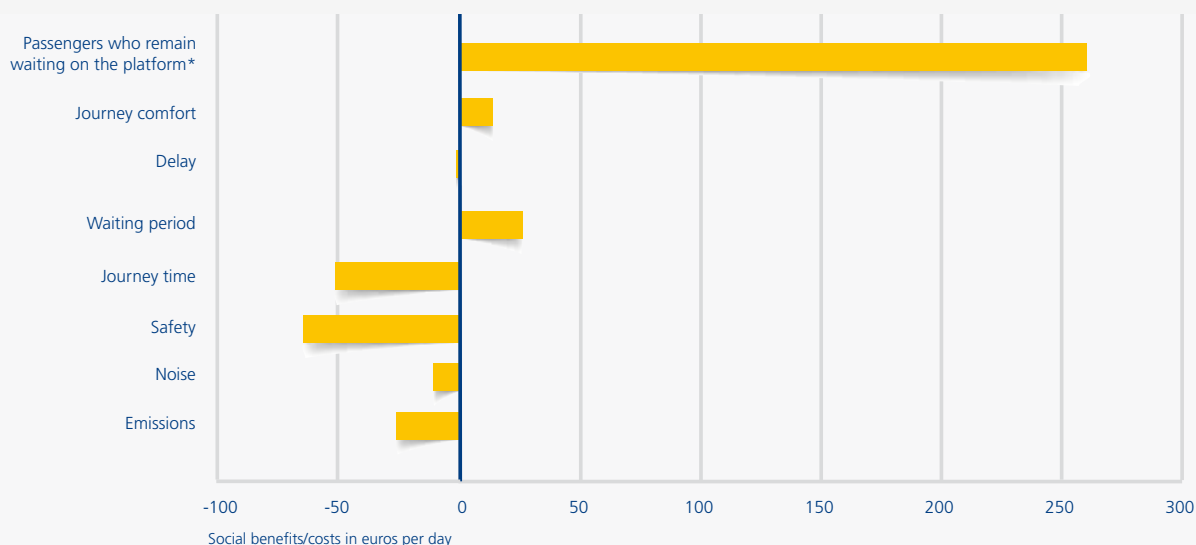
trains are delivered, NS is looking for alternatives so that passenger comfort can be maximised. NS is only able to spend each euro once and we attempt to invest as effectively as possible by looking at both the financial and the social costs and benefits of investment decisions.

One example of a busy route is the one from Rosmalen to

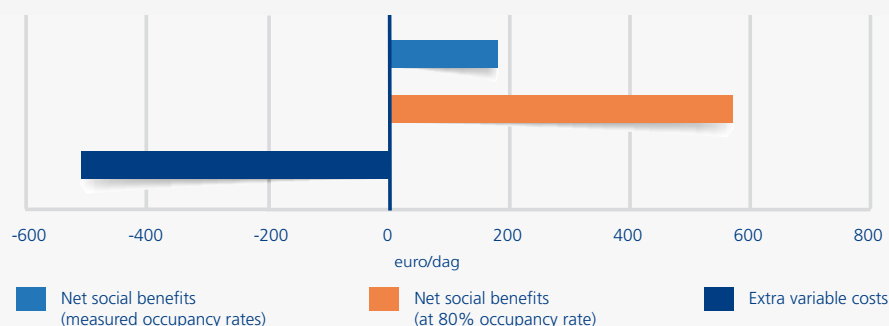
Social costs for passengers in the crowded train, lower than with the rush-hour bus



Social benefits of the rush-hour bus are low because of the low occupancy rates...



The financial costs of the rush-hour bus are greater than the social benefits...



\* The average number of passengers left standing on the platform is not known.

's-Hertogenbosch, which has a Sprinter train twice an hour in the morning peak period. To relieve the pressure, NS used 'spitsbussen' - rush-hour buses. Alternatives such as adding an extra stop for the Intercity from Nijmegen to 's-Hertogenbosch or using longer trains were considered too. In order to provide a better foundation for the decision about the possible consequences of the various measures, the social costs and benefits were compared against each other on a number of axes, such as comfort (or lack of comfort) during the journey, journey time, waiting time, safety, emissions, noise and additional variable costs. The method used was in line with the methodology applied in the rest of the impact analysis, with the exception of a correction factor of 1.5 that was applied in the case study for waiting time that was avoided when passengers who travelled by bus no longer had to wait at the station. The assumptions are shown in more detail (in Dutch) on [www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen).

#### Spitsbus: social costs and benefits

The 'spitsbus' - rush-hour bus - was used in order to offer passengers at Rosmalen station a more comfortable and more frequent alternative to the train. Based on the measurement data from recent months, it turns out that only a limited proportion of the people who get on in Rosmalen choose the rush-hour bus, resulting in buses that have occupancy rates of between 10% and 20% or even less. This can be explained by the fact that the journey time by bus is over twice as long as by train (see graph). Passengers perceive this longer journey time as more negative than the combination of shorter journey times versus greater discomfort in the crowded train.

The combination of low occupancy rates and relatively high

social costs of the bus with respect to the train (in terms of safety, noise and emissions) mean that the relative social benefits of deploying the rush-hour bus are less than the extra variable costs. The relative social benefits would balance out against the extra financial burden if the occupancy rates of the rush-hour buses were above 80%.

#### Social benefits of the alternatives are more positive

The comparison between the social benefits and the additional cost burden shows that the two alternatives perform hugely better than deploying rush-hour buses. Using rolling stock with more capacity scores best (as would be expected), with social benefits that are almost five times higher. Adding an extra stop to the Intercity route has social benefits that are roughly three times greater in comparison to the rush-hour bus. That is despite the extra journey time that the additional stop implies for passengers who were already using the Intercity: it is outweighed by the extra comfort created on the Sprinters - less crowded trains and shorter waiting times because trains then stop in Rosmalen four times an hour. The additional variable costs of the two alternatives are a lot lower than the rush-hour bus.

#### Conclusion

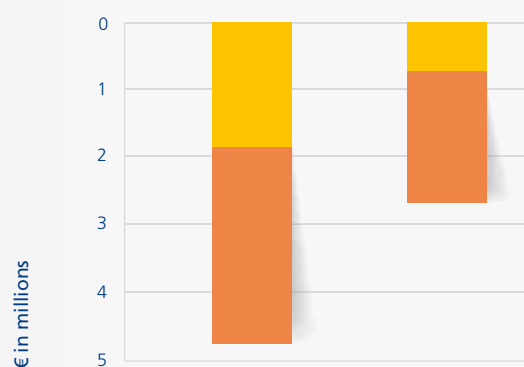
If the social returns of the rush-hour buses are to be increased, the occupancy rates have to be raised and/or the journey time shortened and/or the emissions reduced. In order to achieve this, improving the communication about the buses has been considered, as have the possibility of using rush-hour lanes and running the buses on alternative fuels. This impact calculation will be included in the forthcoming evaluation of the rush-hour buses.

#### Socioeconomic impact of safety

NS can promote safety within society by offering safe transport and a safe environment for passengers and staff. At NS, we are working on safety at work, personal safety and safe travel.

In terms of occupational safety, NS is working on preventing physical or mental harm to our employees, for instance as a result of unsafe working conditions, which can mean they may not be able to work (or not able to work full-time) or may need care. The social costs of occupational safety were about €1 million in 2015 (€2 million in 2014). Reasons for this decrease include better registration of accidents and absence. NS took further steps in 2015 to reduce unsafe working conditions, for instance by quantifying the most critical working

#### Occupational safety and personal safety



	2014	2015
Social safety	3	2
Occupational safety	2	1

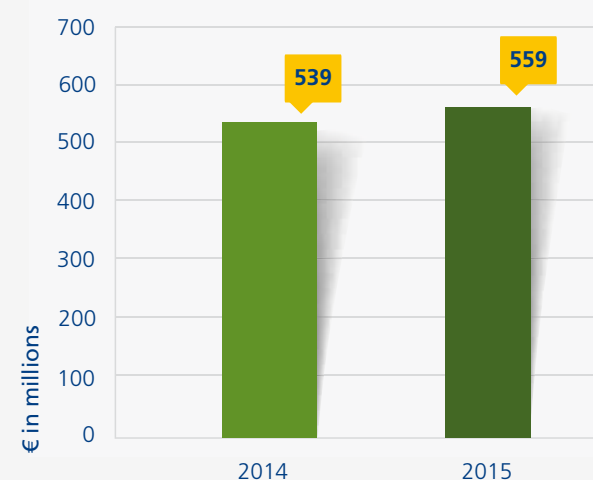
processes and the effect of improvement measures.

As regards personal safety, NS paid a great deal of attention in 2015 to preventing aggression against staff and passengers. A range of measures were taken, in cooperation with our partners. We are working on improving personal safety for instance by deploying extra staff and a number of camera applications, and reducing the numbers of fare dodgers by bringing forward the planned installation of access gates at stations, as well as staff training courses. The costs of aggression by passengers against staff were about €2 million in 2015, which is less than in 2014. Overall there were fewer incidents and above all fewer serious incidents than in 2014.

To provide safe travel, NS is working with its partners on preventing collisions and derailments or unsafe situations at the stations. There were fewer SPADs in 2015 and fewer cases of trains reaching a danger point. Nevertheless, the number of incidents that involved injuries to passengers rose in 2015. A fire in a train and a collision with a stationary goods train meant that several passengers were injured, one of them seriously. The associated social costs were approximately €3 million (€2 million in 2014). To promote safe travel even more, we are continuing to pay attention to safety training and open communication with staff about improvements, and NS is working with ProRail and other carriers on reducing the number of SPADs and improving automatic train safety systems.

The number of traffic accidents in journeys before and after train transport and the impact of these accidents was much

## Safe travel compared to cars

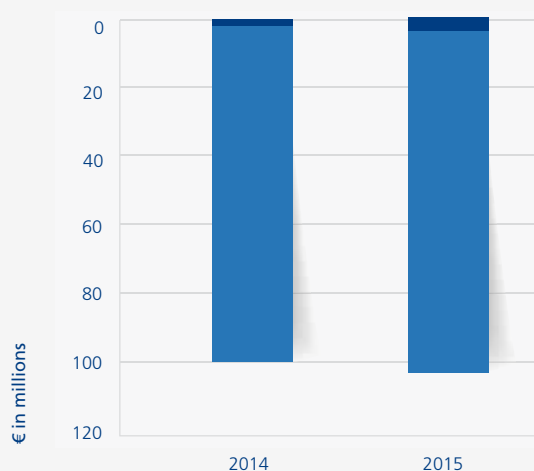


higher; the figure of approximately €103 million is comparable to last year (€98 million in 2014). Travelling by train is relatively safe compared to transport by car. The positive impact resulting from accidents that are avoided because of people actively choosing the train was only calculated for the 'elective passengers'. The social benefits of safe transport by train were approximately €559 million in 2015 (€539 million in 2014, using the adjusted calculation).

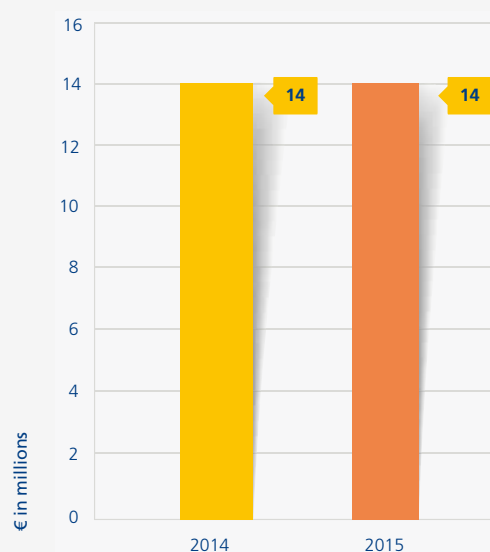
## Socioeconomic impact of training, employability of staff and diversity

NS has a positive socioeconomic impact on society by developing the knowledge, skills and talents of its staff, by aiming to keep them in sustained employment, and by being a diverse

## Safe travel on trains and at stations



## Education and training





and inclusive organisation. The social benefit of training at NS is improving the economic value of the potential capacity of its workforce after they have left NS. The social benefits of this in 2015 were approximately €14 million, the same as in 2014.

Being occupationally unfit for work limits the deployability of employees. This has negative social costs for example because of hospital costs and the costs of benefit payments and the loss of productivity and purchasing power. NS wants to improve that impact.

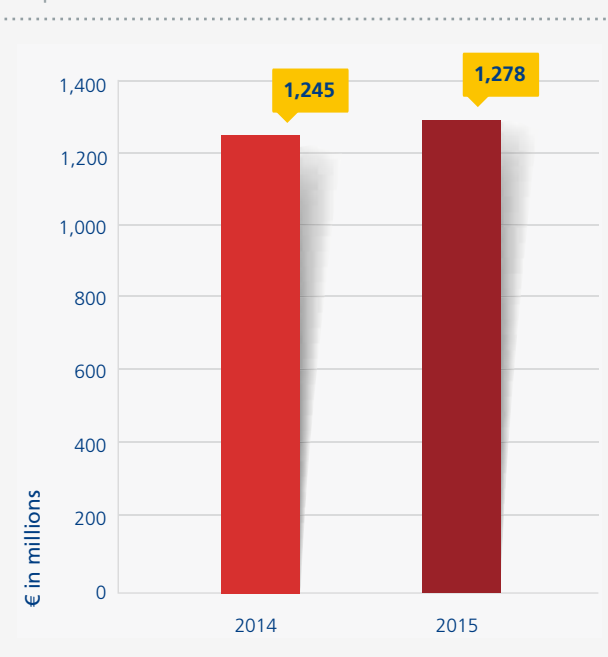
NS wants to be a diverse and inclusive organisation where everyone feels welcome. Diversity means social role models and recognition for e.g. women, people with occupational disabilities and people from ethnic minorities. In addition, diversity ensures that NS is more aware of what is happening within society, which lets us adjust our policy to suit. We are doing more and more to expand the social benefits of diversity.

#### Socioeconomic impact of expenditure and stations

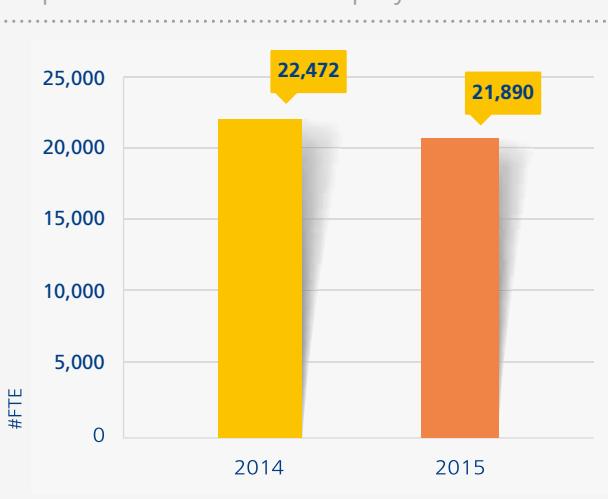
NS has a socioeconomic impact on society through its own expenditure such as procurement, investments and salaries. This means for instance that NS contributes to the added value and employment opportunities at its suppliers. The economic benefits were €1,278 million of added value at suppliers (€1,245 million in 2014), or approximately 22,000 jobs. NS is able to extend its positive social impact yet further through sustainable procurement, e.g. for major categories of purchases such as trains (and components), and buildings and infrastructure, IT and energy. NS undertook a number of sustainable procurement activities in 2015, including participating in Railsponsible, a European sector initiative for improving sustainability.

In addition, NS has impact on the areas surrounding its stations. This consists primarily of enhancing accessibility for local residents (seen in journey times and mobility) and the

#### Expenditure – indirect added value



#### Expenditure – indirect employment



contribution to improving the living environment, for example through business activities around stations.

### Methodology, scope and principles

- Overview of the methodology: the methodology for the impact analysis focuses on identifying both negative and positive environmental and socioeconomic impacts as NS and valuing those impacts in terms of costs and benefits for society.
- Evaluating the social impact: an assessment was made of the selected topics to see whether quantifying them is feasible with the available data and the define parameters for the valuation. If not (e.g. diversity), the topic is included qualitatively. This is an evaluation of the social costs and benefits that are not covered in the financial results. The evaluation uses external (scientific) studies as well as our own data.
- Scope: the impact analysis focuses exclusively on the activities of NS in the Netherlands, which are included as fully as possible.
- Reference for the methodology and scope: For a detailed description of the methodology and scope for each theme, please see [www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen).
- Changes: compared to 2014, the scope of the social impact analysis has been expanded to cover Scope 3 emissions and the relative positive impact in terms of noise and land use. In addition, the measurement methods were improved for delays, elective passengers and incidents at work resulting in time lost for injuries (LTIFR). For crowding, initial waiting times, elective passengers, training and the emission factors for SO<sub>2</sub>, NO<sub>x</sub> and PM10, the new working method has been applied retrospectively to the calculations for 2014. As a result, the figures for journey times, training and the relative positive impact of safety and emissions with respect to the car have been adjusted from those published in the 2014 annual report. Better emission factors have been published for pollutants other than CO<sub>2</sub>, which increases the impact of those emissions. This has also been recalculated for 2014 and therefore differs from the previously published figures.
- corrective factor is applied for inflation for each year.
- Principles for the sector impact and the comparison of the impacts of car and train: for many of the themes, NS works with partners to improve the results and the social impact. Together with ProRail, we are for example improving rail safety, punctuality and journey time. Despite the fact that a share of the impact in many of the themes could be assigned to our partners in the sector, we are not yet going so in the calculations. We are looking at methods for including such a split in subsequent publications. The positive and negative impacts are being presented separately for each topic, given that it is not possible to balance them off against each other (because the positive impact is often expressed as the difference with respect to transport by car).

# III Abellio

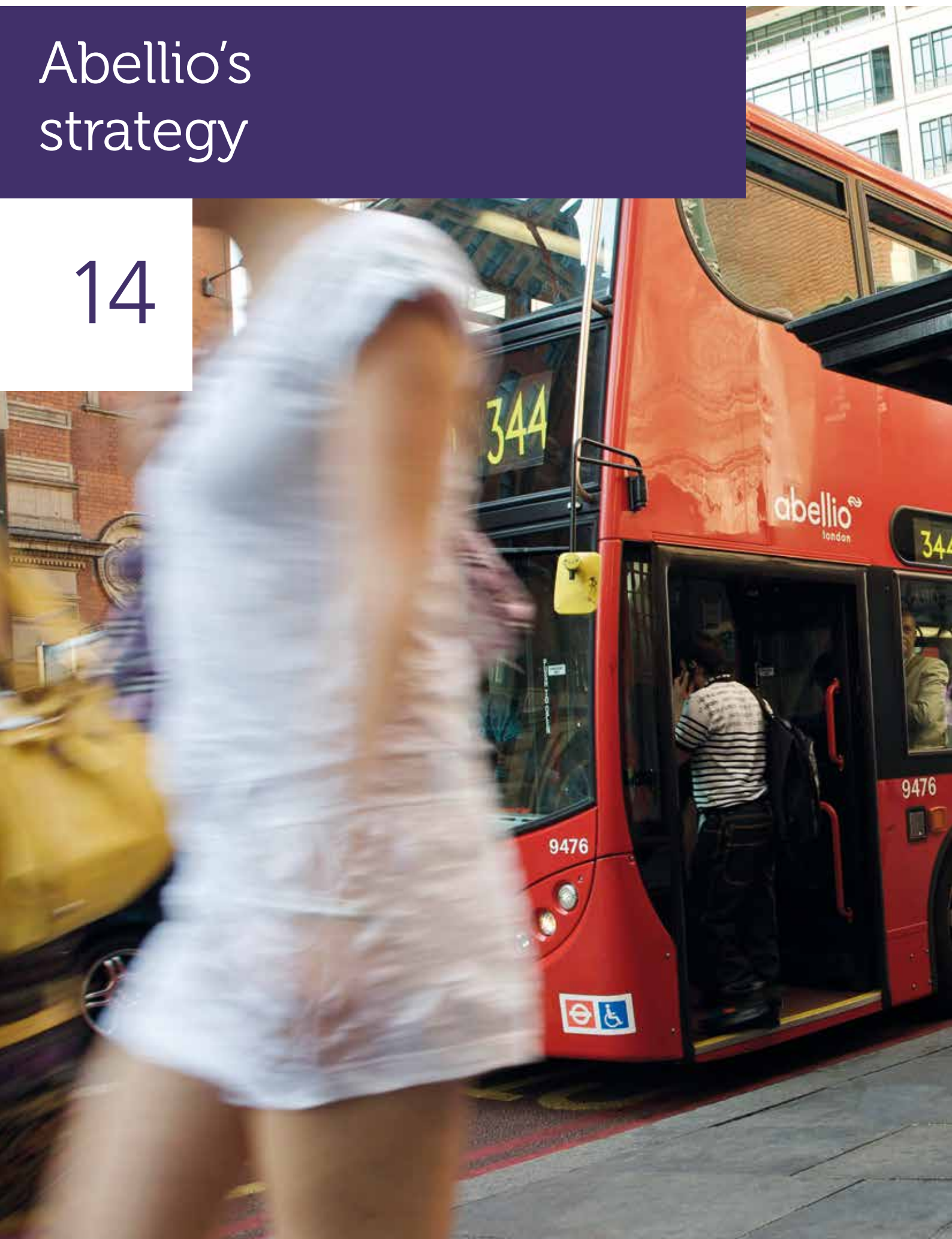
Abellio is a fully-owned subsidiary of NS. It operates mainly in the market for passenger transport in the two European countries with the largest deregulated markets: the United Kingdom and Germany. In 2015, Abellio started operating the ScotRail franchise and won a series of tenders in Germany. As a consequence, Abellio's turnover (€2.1 billion, excluding joint ventures) is now on a level with that of NS's core activities. In 2015, Abellio saw revenue grow and make a contribution to profits of €49 million. Despite the pressure on future revenue and profits due to the termination of one and possibly two major British franchises, Abellio is a strong company.

Every day, our Abellio staff work on safe, accessible and reliable public transport. We aim for optimum collaboration with our customers, stakeholders and each other. The workforce is every bit as diverse as our passengers. Our staff members (excluding joint ventures):

- 12,920 employees (12,608 FTEs) in total
- 10,107 employees in the United Kingdom

# Abellio's strategy

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Abellio has had operations in the United Kingdom since 2003 and in Germany since 2009. Since the first contract for Merseyrail, the company has grown to become a major carrier in the United Kingdom with the Northern Rail, Abellio Greater Anglia and ScotRail rail franchises. Abellio London & Surrey, Abellio UK's bus division, provides bus services in the centre, south and west of London and in the north of Surrey. In Germany, Abellio has operations in two regions: North Rhine-Westphalia (NRW) and Central Germany. Abellio and NS are aiming to consolidate Abellio's position in these countries.

In 2015, Abellio began commercial operation of the ScotRail franchise and once again had success with tenders for rail franchises in Germany. However, its franchise for Northern Rail will not be renewed after March 2016. Abellio is therefore focusing its strategy on maintaining the current international portfolio and protecting its underlying sources of income outside the Netherlands. The emphasis is on selective participation in tenders in markets where the company has a presence. Abellio helps NS achieve its objectives of fulfilling the financial and operational performance requirements for the main Dutch rail network and the Long-Term Rail Agenda for public transport in the Netherlands. Our strategy has three cornerstones: preparing, learning and earning.

- Prepare

In the early 2000s, NS decided to see whether it should enter the deregulated railway market. Over the past 15 years, the NS subsidiary Abellio has built up a strong position in the United Kingdom and in Germany. At the same time, other European rail companies such as DB and SNCF are active in the Dutch public transport market. We are seeing that the introduction of new European legislation such as the EU's Fourth Railway Package means that our foreign operations are strengthening the company.

Accordingly, Abellio has made a strategic priority of preparing for any further deregulation of the markets and consolidating NS's position in the current deregulated European markets by winning tenders for public transport and operating franchises, with a focus on the railways in the United Kingdom and Germany. By building a single, united NS with a clear focus on the key rail markets in Northwest Europe, NS is developing a strong position in the European market.

- Learn

NS is learning from the experience that Abellio is acquiring internationally in operating efficiently in a very commercial environment, with growing passenger numbers and reve-

nue, and in cost control. At the same time, Abellio has always incorporated best practices from the Netherlands in its bids and when running its operations abroad. This means that we benefit in all our countries from the experience that we have gained with international tenders and franchises. This keeps our operations competitive in all our markets, including the main Dutch rail network. Abellio and NS aim to collaborate more intensively in future on a joint 'learning agenda'. In 2016, Abellio started a benchmark for the franchise for the main Dutch rail network. This is another way in which it is adding value to NS's position in the Netherlands.

- Earn

Abellio's third strategic priority is durable, solid financial results, managing risks, keeping investments at an acceptable level and good non-financial results. The goal is a diversified portfolio of long-term sources of income and maintenance of solid profitability. In 2015, Abellio recorded a contribution to profits (EBIT) of €49 million. We aim to maintain the financial performance at this level in the years ahead, although that will be difficult in 2016.

All Abellio's contracts in the United Kingdom and Germany are profitable. That is the consequence of our selective growth strategy, a disciplined bidding procedure and effective risk analyses in these highly competitive markets. Competition in tenders promotes a culture of professional mobilisation and long-term financial and operational improvements within our company.

Abellio helps make NS profitable. The 'earning habit' at Abellio has a direct impact through the 'learning agenda' at NS. Furthermore, the capital invested is relatively limited while a return on investment is achieved of 18%. The expectation is that this will remain the case in the future.

We now give a few examples of experiences in other countries that have turned out to be useful for the NS group as a whole

and that could deliver benefits in the future.

- *Managing revenue:* Tenders and commercial operation in the United Kingdom can only succeed if future passenger numbers and revenues are increased with the help of models, targeted marketing and yield management. The work with revenue models is closely linked to the design of our timetables. Changes are often made in the timetable to optimise revenue and increase franchise payments to the Department for Transport. That increases the likelihood of a bid being successful. In the Netherlands, revenue models are not used so much when drawing up the timetable; satisfying the capacity forecasts is more important here. Now that the financial pressure within NS is increasing, revenue models can be one way of improving NS's results without making cost savings. They can also be used to develop more attractive offers for off-peak periods, which could help reduce crowding in trains during the rush hour.
- *Rolling stock:* In 2015, Abellio and NS started the purchase of new rolling stock. A programme for the exchange of best practices allows experiences to be shared, to the benefit of both parties. The programme covers governance, the involvement of customers, stakeholders and staff in the process, innovation financing solutions, design and project management.
- *Savings:* If Abellio is to operate public transport franchises successfully in a market in which it continually needs to bid for both new and existing franchises, it must be cost-conscious. A cost-cutting project led to substantial reductions in the operating costs of Abellio Greater Anglia.
- *Safety:* Paying attention to safety, for example by installing access gates, increased both passenger revenues and customer satisfaction at Northern Rail.
- *Mobilisation:* The mobilisation of the STS Net franchise turned out to be a key project for Abellio Germany and the Abellio Group. Powerful, practical instruments for project management ('the mobilisation toolbox'), strong links with local, regional and national transport authorities, extremely efficient decision-making (tender board procedures, management reviews) and thorough knowledge of the key technical systems turned out to be just the right mix for the biggest mobilisation of a private carrier in Germany so far.
- *International train services:* The new Niederrhein Netz includes a mere 17 kilometres on Dutch soil, but it does represent a huge improvement in cross-border public transport in the Arnhem-Nijmegen region. With this project, Abellio

Germany is showing that national borders do not need to be an obstacle when technical knowledge of the different power and safety systems is combined with intensive contacts with national and international stakeholders and efficient decision-making at the highest levels.

Through the exchange of best practices, Abellio supports NS in its most important assignment: delivering the operational and financial performance as laid down in the franchise for the main Dutch rail network and the Long-Term Rail Agenda.

Abellio  
UK

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## Description of the British rail market

The annual turnover in the British market for rail passenger transport is €14 billion. Full deregulation of the market took place in 1994 and it is currently divided into 22 large franchises, each of which is put out to tender every 7 to 15 years. This offers the opportunity to take part in tendering procedures.

## 2015 in a nutshell

In 2015, Abellio UK became the country's third largest rail passenger transport company with revenue (including joint ventures) of €2.3 billion. The company's goal is to maintain a diverse portfolio of durable sources of income in the long term. It now faces the challenge of maintaining this position in the short term, as the Northern Rail franchise will end in April 2016 and the Greater Anglia franchise may also end in October 2016.

Abellio UK is concentrating on delivering excellent operational performance in all its British companies; it also has a large team for tenders. In 2015, Abellio UK focused on preparations for the Northern Rail and East Anglia tenders (the East Anglia network is currently called Abellio Greater Anglia but the name will be changed to East Anglia in 2016 when the franchise winner starts operation). Both franchises are currently operated by Abellio, although Northern Rail is a 50-50 joint venture with Serco. 2015 was the first year in which Abellio had to submit a new bid for a franchise that it was already operating. In June, Abellio submitted an independent bid for the Northern Rail franchise. It was a disappointment when the Department for Transport announced in December that Abellio had not been awarded the contract to continue with Northern Rail as the sole operator.

In December, Abellio submitted its bid for the East Anglia franchise, also without a partner. The Department for Transport (DfT) is expected to announce who will be awarded the East Anglia franchise in June 2016. The franchise comes into effect in October 2016.

In December 2015, Abellio was given a 'DfT Passport'. This is valid for three years and means that large parts of the pre-qualification stage in tendering procedures can be skipped.

## Outlook for 2016

Despite the fierce competition in the British railway market, there are still plenty of opportunities for maintaining our market share because of the many other franchises in addition to the ScotRail and Merseyrail franchises. Abellio UK takes care in selecting which calls for tender it should to respond to. It

then comes up with a good bid and tackles rivals' focus on price by stating in its bid that efficiency gains will be achieved throughout the term of the contract through a continual process of change and improvement.

## Organisation and staff

Abellio UK manages its existing contracts in a way that emphasises the empowerment of the local management teams. We assign operational and financial responsibilities at as low a level as possible in the organisational hierarchy, with input from experts in the central management team, but always making safety the priority. We also invest in the tendering team, which consequently has the necessary relevant knowledge and experience. HRM initiatives in 2015 included the annual employee satisfaction surveys, the regular provision of information, and remuneration schemes that encourage employee engagement, such as a profit-sharing programme for Abellio Greater Anglia and ScotRail.

## Social responsibility in the United Kingdom

Abellio believes that its responsibility extends beyond the journey from A to B. Abellio supports the national community rail programme by entering local partnerships and supplying volunteers. We undertake a variety of activities, from cleaning and redesigning stations to marketing local services at special events and converting railway properties for use by the local community, for example as cafés or activity centres. Abellio provides financing and encourages staff to come up with new ideas and offer financial and practical support. For instance, we seek to set up lasting partnerships with the local rail community and local passengers. In 2015, we provided support for a nursery school in London and for the Railway Children Charity, which helps homeless children living alone on the streets. We helped the national San Fairy Ann cycling club and provided financial support to the London Transport Museum and the Railway Benefit Fund for railway staff.

## New: ScotRail

Abellio ScotRail started commercial operation on 1 April 2015. The franchise is for seven years, with the option of an extension for three more years. ScotRail provides passenger transport throughout Scotland in the form of intercity, regional and suburban services on the Scottish national rail network. The network has a central axis (Glasgow-Edinburgh) with a high traffic density and strong similarities with the Dutch main



rail network (in the Randstad conurbation). Abellio ScotRail employs 4,786 people and carries 227,000 passengers every day. Scotland is the most autonomous part of the United Kingdom. In our plans for ScotRail, we are aiming to give the country a rail network that will benefit Scotland as a whole by boosting economic growth and helping create a fairer, healthier, stronger and greener Scotland. In September 2015 we started operating the new Borders Railway. This consists of about 50 kilometres of new track for passenger transport, the longest section of track to be built in the United Kingdom for more than 100 years.

### **Customer satisfaction**

90% in 2015

### **Punctuality**

90.3%

### **Safety**

16

### **Lost time injury frequency rate**

5.0

### **Passengers are the top priority**

The ScotRail franchise includes initiatives to improve the quality of service in trains and at stations throughout the Scottish rail network. We are implementing measures at various operational levels to improve our service and performance and we will measure the effect on customer satisfaction. Some examples of these measures:

- setting up an intercity network: at the end of 2018, Abellio will replace the trains currently used for the intercity service with high-speed trains;
- upgraded trains and extra capacity: trains will be fitted with Wi-Fi, extensive catering services and luggage facilities;
- faster and more comfortable journeys: trains with eight carriages mean less crowded trains and shorter journey times;
- preventing incidents: we will collaborate closely with Network Rail, for example with joint planning for work on the track;
- programme for improving stations: better catering, more parking spaces, more shops and making the station the 'access gate to the city' will improve the passenger experience at stations;
- better pricing structure: flexible ticket sales ('carnets') and

discounts on the applicable rates with the help of SMART technology;

- making the door-to-door journey easier: this will be achieved through such means as a new app for journey information, information desks, information screens showing connecting buses and ferries, the use of smartcards and more bicycle storage spaces.

### **ScotRail's alliance with Network Rail**

Network Rail is responsible for the rail infrastructure in the United Kingdom. Abellio ScotRail is collaborating with Network Rail in an 'alliance'. The two organisations concluded an agreement to that end in April 2014, which came into effect in 2015.

### **ScotRail's Bike & Go**

In the first year of the franchise, Abellio will start its Bike & Go programme for bicycle rental at ten stations. The programme kicked off in the first half of 2015. In Glasgow, Stirling and Edinburgh, Bike & Go operates via the new CyclePoints, which also offer cyclists safe storage, bike repairs, bike accessories and cycling information.

## **Abellio Greater Anglia**

Abellio started operation of the Greater Anglia franchise on 5 February 2012. This contract ends on 16 October 2016. Greater Anglia provides intercity, commuter and rural services in the east of England, including the Stansted Express, which connects the centre of London to Stansted airport.

Abellio Greater Anglia employs 2,859 people and carries 179,000 passengers every day. On 31 May 2015, Abellio Greater Anglia handed over various train services to Crossrail and LOROL on the instructions of Transport for London. This led to a fall in the number of kilometres operated by Abellio Greater Anglia of about 15% and a fall in passenger revenues of about 19%.

### **Customer satisfaction**

In nationwide customer satisfaction surveys held in 2015, 81.0% of passengers gave the services of Abellio Greater Anglia a score of 7 out of 10 or higher. That is comparable to 2014.

### **Punctuality at Abellio Greater Anglia**

Abellio Greater Anglia achieved a punctuality score of 89.6%, a fall of 1.2% compared with the previous year. This lower

score was the result of extreme weather conditions in the autumn, defective trains and infrastructure problems.

### Safety

Abellio Greater Anglia had 10 signals passed at danger in 2015. That is fewer than in 2014 (when there were 21 SPADs). The total number of signals passed at danger for Abellio UK (including the joint ventures) was 47. That is the same as the 47 in 2014, although that figure did not include ScotRail. The number of SPADs excluding ScotRail fell in 2015 from 47 to 31.

### Lost time injury frequency rate

The LTIFR for accidents at Abellio Greater Anglia was 6.9 in 2015 and 4.9 in 2014.

### Environment

With the transfer of certain train services from Abellio Greater Anglia to Crossrail and LOROL from 31 May 2015, Network Rail's traction power allocation also changed. As yet, Network Rail is unable to confirm the reliability of this allocation and that will remain uncertain until the final settlement in June 2016. Because traction energy is an important component in the calculation of the parameter 'CO<sub>2</sub> emissions per passenger-kilometre', we are currently unable to give a sufficiently reliable estimate of this parameter. That is why we have not included this parameter in this annual report and why our auditor (EY) is unable to give its opinion of this parameter.

## Northern Rail and Merseyrail

In addition to its full subsidiaries, Abellio has a 50% stake in Northern Rail and Merseyrail. In both cases, the remaining 50% is held by Serco Group plc. The Northern Rail franchise, which Abellio has operated since 2004, is due to end on 31 March 2016. Every day, the 5,172 employees transport 270,000 passengers in the north of England. The Merseyrail franchise started in 2003 and is due to end in 2028. Merseyrail employs 1,254 staff and transports more than 110,000 passengers daily in and around Liverpool, on one of the busiest rail networks in the United Kingdom.

## Abellio London & Surrey

Abellio London & Surrey runs 76 bus routes in the centre, south and west of London and in the north of Surrey, including to and from Heathrow airport. Abellio London & Surrey employs 2,294 staff. It has 769 buses operating from 6 depots. In

December 2015, we added three new routes in London to our network. On one of them we run the environmentally friendly New Routemaster buses. We lost three routes but gained five new routes in London that we will be operating in 2016. At the London Transport Awards, Abellio London & Surrey was voted bus operator of the year.

### Customer satisfaction

The satisfaction figures for our bus transport business are published annually in April, which is why we are presenting the figures for 2014 here. Customer satisfaction with bus services in Surrey was 86% in 2014, slightly below the national average of 88%.

### Performance

Every year, our London bus operations put in an excellent performance. We headed the Transport for London rankings in terms of performance.

### Lost time injury frequency rate

The LTIFR for accidents at Abellio London & Surrey was 1.8 in 2015 and 4.0 in 2014.

### Environment

CO<sub>2</sub> emissions were 1,097 grams per bus-kilometre in 2014 and 1,073 grams per bus-kilometre in 2015.

# Abellio Germany

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## Description of the German rail market

The German regional railway market has a volume of about €10 billion per year and a network covering 670 million train-kilometres. The market has been deregulated since 2003, with responsibility for its organisation being assigned to the 16 federal states of Germany. Each state has its own way of managing its regional market. This has led to the creation of 27 regional transport authorities, each of which has adopted a different tendering regime, but at the same time a substantial flow of potential franchises. There is currently a big wave of tendering procedures that will continue until at least 2017.

## 2015 in a nutshell

In recent years, Abellio has built up a strong competitive position in the German railway market. In tendering procedures, Abellio aims for controlled growth. We also opt for selective and responsible participation in tenders and professional mobilisation and commercial operation. Abellio Germany strengthened its market position considerably in 2015 by winning three important tenders: the largest lot in the franchise for RRX (Rhein-Ruhr-Express), both lots in DISA (Dieselnetz Sachsen-Anhalt) and the largest lot in STN (Stuttgarter Netze). RRX and DISA are definite but a competitor has appealed against the STN decision. The court still has to give its final judgement on this matter. Abellio was in the top two in 2015 thanks to the award of these franchises.

## Outlook for 2016

Even after the wave of tendering procedures, the market is expected to remain buoyant, in part due to the increase in 2015 in financial support provided for regional rail transport by the federal government.

Abellio is well represented in two regions: North Rhine-Westphalia, with three franchises at present, and Central Germany, where the commercial operation of one franchise started in December 2015 and another franchise is in the mobilisation phase. If the STN franchise is indeed definitely awarded to Abellio, this would give us a franchise in the mobilisation phase in a third region, Southern Germany.

## Organisation and staff

In view of the recent growth in our German activities, we have invested in a more robust company infrastructure with a head office in Berlin, which opened officially in June 2015, and a regional substructure with separate directors for each of the three disciplines of bidding, mobilisation and commercial operation.

## New: Abellio Central Germany

In 2015, Abellio Mitteldeutschland (Central Germany) submitted a successful bid for the DISA franchise. DISA will start operation in 2018 and will run until 2032. The franchise consists of 13 routes (including Halle-Goslar, Magdeburg-Wolfsburg and Magdeburg-Erfurt), 140 stations and 52 train sets with 17,000 passengers a day. DISA will also connect Berlin to Saxony-Anhalt. Abellio will then have an additional 8.6 million train-kilometres per year.

In December 2015, Abellio Central Germany also made a successful start to the commercial operation of the Saale-Thüringen-Südharz network (STS). This consists of 10 routes, 120 stations and 575 kilometres of track. The network connects the federal states of Saxony-Anhalt, Thuringia, Saxony, Hesse and Lower Saxony, and includes such cities as Leipzig, Weimar and Erfurt. Abellio Central Germany is based in central Germany. It has an office in Halle and a workshop in Sangerhausen, which started operation in 2015. A total of 9.2 million train-kilometres per year makes STS the largest German network to be operated by any competitor of Deutsche Bahn.

### New rolling stock

Abellio has ordered new rolling stock – Bombardier Talent 2 trains – for the STS network. These trains are more spacious and more comfortable than the old rolling stock. There are now 35 of these trains on the STS network. All carriages have air conditioning and all the seats have plenty of legroom and a socket. There are also a number of novelties in terms of the design and technology: the trains not only have a lounge but also amplifiers for mobile phone signals, a ticket machine and screens with journey information and connections. There is more room for bicycles and wheelchairs in the new trains too. Furthermore, all trains have mobile ramps that give people in wheelchairs easy access to the train. The needs of wheelchair users were taken into account in the design of the trains too, for example with toilets that are accessed without steps.

### Customer Service

Abellio offers customer service via a service phone desk that is available 24 hours a day, 7 days a week. Passengers can contact us by phone and by e-mail. Abellio has staffed customer service centres in Halle, Leipzig, Markranstädt and Erfurt. Abellio has also introduced a new ticketing system with booking offices in 15 stations, 76 ticket machines with an innovative user interface and at least one ticket machine in



every train. The network has been improved in other respects too, for example by increasing the speed of the fast train service between Leipzig and Erfurt/Saalfeld and adding a new catering service, and by allowing bicycles to be taken on trains in Saxony-Anhalt and Thuringia free of charge.

### New workshop

Abellio has opened a new workshop in Sangerhausen, at the heart of the Saale-Thüringen-Südharz network. This location means that it can be accessed from the final destinations on all the routes: Saalfeld, Eisenach, Erfurt, Leipzig, Halle and Kassel. This ultramodern workshop has everything that is needed to maintain and repair the interiors and exteriors of all types of rolling stock. The Talent 2 trains are checked in Sangerhausen after every 30 days in use. The premises also include cleaning facilities and depots for the trains.

## Abellio North Rhine-Westphalia

Abellio NRW put in a successful bid for RRX, the backbone of the rail network; in June 2015, it was awarded the largest lot in the franchise. Abellio will be operating two routes: RE1 (Hamm - Dortmund - Düsseldorf - Cologne - Aachen) and RE11 (Düsseldorf - Essen - Dortmund - Paderborn - Kassel). Commercial operation will start in December 2018. Abellio will then have 6.2 million train-kilometres per year.

From the end of 2016, the Nieder-Rhein-Netz (NRN) will connect Arnhem to Düsseldorf. Twenty-one FLIRT 3 trains are being built for this service, including seven three-system trains. The FLIRT 3 trains need to cope with three different power systems (1500V, 15kV and 25kV) and three train safety systems (ATB, ETCS and PZB) for the 17 kilometres that the route covers in the Netherlands. A new workshop is being built for this purpose in Duisburg.

The two franchises in the mobilisation phase are:

<b>Nieder-Rhein-Netz</b>
Start: December 2016
Finish: 2028
19,000 passengers per day
21 train sets
<b>Rhein-Ruhr-Express (RRX) – RE 1/11</b>
Start: December 2018 en medio 2020
Finish: 2033
40,000 passengers per day
29 train sets

In the commercial operation, Abellio NRW is focusing very much on high quality. In June 2015, Abellio NRW was pleased to receive the 2014 gold medal for excellent performance from the transport authority NWL (Zweckverband Nahverkehr Westfalen-Lippe). Abellio also heads the quality rankings of the other major transport authority in North Rhine-Westphalia, VRR (Verkehrsverbund Rhein-Ruhr).

The three franchises that are currently being operated are:

<b>Emscher Ruhrtal-Netz</b>
Start 2005
Finish: 2019
2,000 passengers per day
95.0% punctuality
3 train sets
<b>Ruhr-Sieg-Netz</b>
Start 2007
Finish: 2019
22,000 passengers per day
91.8% punctuality
17 train sets
<b>Der Mungstener (S7)</b>
Start 2013
Finish: 2028
13,000 passengers per day
96.0% punctuality
9 train sets

## Abellio Southern Germany

Subject to a final legal judgement, the transport authority NVBW (Nahverkehrsgesellschaft Baden-Württemberg) awarded the contract for franchise lot 1 of the STN network to Abellio Germany in November 2015. From June 2019, Abellio Germany will gradually take over operation of the routes Stuttgart-Mühlacker-Pforzheim/Bruchsal, Stuttgart-Heilbronn-Mannheim/Osterburken and Stuttgart-Tübingen. Abellio will then be providing 6.8 million train-kilometres per year with 43 brand-new trains.

## Westfalenbahn

In addition to its own franchises, Abellio Germany also has a non-controlling interest of 25% in Westfalenbahn. Westfalenbahn operates one franchise in North Rhine-Westphalia and Lower Saxony (Teutoburger-Wald-Netz between Paderborn, Münster and Bad Bentheim, met 4.0 million train-kilometres and 26,000 passengers per day). In 2015, it successfully mobilised the EMIL (Emsland/Mittelland-Netz) franchise. EMIL (5.4 million train-kilometres) covers 585 kilometres of track with the routes Münster-Emden and Braunschweig-Rheine/Bielefeld.



Qbuzz

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Qbuzz is the NS public transport bus company in the Netherlands. Qbuzz operates bus services in the provinces of Utrecht, Groningen, Drenthe and Friesland. During its start-up year of 2008, Qbuzz began with bus services in Friesland and Rotterdam. It won the Groningen-Drenthe franchise in 2009. Since December 2013, Qbuzz has been providing bus and tram services in and around Utrecht, under the name U-OV. Qbuzz has a total of 1,832 FTEs. Its sickness absence figure for 2015 was 7.4% (7.6% in 2014).

## Cooperation with NS

Qbuzz has been part of the NS organisation in the Netherlands ever since it was founded in 2008. NS owned 49% of the shares until 2013; the remaining shares (51%) were taken over in 2013 and Qbuzz was moved to become part of Abellio.

From its position as a fully-owned participating interest, Qbuzz is making a contribution to NS's door-to-door strategy. Cooperation between Abellio and NS was intensified in 2015 and development of an innovative 'door-to-door' app was started. Other examples of successful initiatives are the U-OV 'Gemaks-abonnement' (Easy Season Ticket) in Utrecht and announcements of connecting bus services at the regional train stations in Utrecht. This reduces the burden on Utrecht Centraal as well as often getting passengers to their destinations more quickly. In Groningen-Drenthe, the development of the Qliner and Q-link concepts has been a great success.

Qbuzz is a nicely profitable venture (the EBIT for 2015 was €9 million) and it has demonstrated that it is capable of operating large franchises successfully. After the initial investment in the first year, Qbuzz showed it was able to break even operationally from its second year. Based on innovative business cases and good management, Qbuzz sees opportunities to improve the returns further in years to come.

## Groningen-Drenthe

*Key figures:* 723 employees, 309 buses, 60,000 passengers per day. Qbuzz passengers rate the service as 7.6 out of 10 (source: OV-klantenbarometer 2014, March 2015).

This bus franchise started in December 2009 and originally ran until December 2015. Thanks in part to the high level of satisfaction at the client organisation, an extension was obtained - initially until December 2017 and more recently until December 2019.

Qbuzz has an innovative approach to the development of bus concepts. In 2010, Qbuzz started the Qliner: comfortable bu-

ses for high-quality public transport that are fitted out with all mod cons such as Wi-Fi and air conditioning. The buses operate on direct, high-speed routes between larger towns and villages with just a limited number of stops.

Q-link is the rapid, revamped bus network between key destinations in the city of Groningen and the larger commuter areas in the region. The Q-link network consists of five lines with long and comfortable buses; each line can be distinguished by its specific colour coding. The buses run frequently and have Wi-Fi.

## Friesland

*Key figures:* 169 employees, 67 buses, 13,000 passengers per day. Qbuzz passengers rate the service as 7.6 out of 10 (source: OV-klantenbarometer 2014, March 2015).

This bus franchise started in December 2008 and runs until December 2016. Qbuzz submitted an offer in 2015 for the new bus franchise including the bus services on the Wadden Islands of Vlieland, Terschelling and Ameland. The Province of Friesland decided in December 2015 not to award the new franchise to Qbuzz.

## Utrecht

*Key figures:* 972 employees, 310 buses, 26 trams, 140,000 passengers per day, 7.5 out of 10 for customer satisfaction (source: OV-klantenbarometer 2014, March 2015).

The franchise covers both bus and tram services and was awarded to Qbuzz by the Province of Utrecht until 2023. Utrecht is the only city in the Netherlands where a bus line runs entirely on electricity without any further subsidy. This role model of sustainability was presented by the Dutch government during the climate summit in Paris. At the moment, the Province of Utrecht and Qbuzz are working together on a proposal for deploying more electric buses and implementing a new tram line, the Uithof line, which will provide a tram link between the centre of Utrecht and the university district.





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*These financial statements are published in both Dutch and English.  
In the event of any discrepancies between the Dutch and English version, the Dutch version will prevail*

## Consolidated income statement for 2015

### NV Nederlandse Spoorwegen

(in millions of euros)

	2015	2014
1 <b>Revenue</b>	<b>4,973</b>	<b>4,144</b>
2 Personnel expenses	1,873	1,546
3 Depreciation, amortisation and impairments	330	332
4 Use of raw materials, consumables and inventories	504	473
5 Own capitalised production	-115	-137
6 Subcontracted work and other external costs	481	450
7 Infrastructure and concession fees	852	779
8 Other operating expenses	951	420
<b>Total operating expenses</b>	<b>4,876</b>	<b>3,863</b>
14 Share in result of investees recognised using the equity method	70	40
<b>Result from operating activities</b>	<b>167</b>	<b>321</b>
Finance income	10	16
Finance expenses	-33	-51
9 <b>Net finance result</b>	<b>-23</b>	<b>-35</b>
<b>Result before income tax</b>	<b>144</b>	<b>286</b>
10 Income tax	-26	-106
<b>Result for the period</b>	<b>118</b>	<b>180</b>
Attributable to:		
Shareholder of the company	118	180
Minority interests	-	-
<b>Result for the period</b>	<b>118</b>	<b>180</b>

# Consolidated statement of comprehensive income for 2015

## NV Nederlandse Spoorwegen

(in millions of euros)

	2015	2014
<b>Result for the period</b>	<b>118</b>	<b>180</b>
<b>Other comprehensive income items that are or may be classified to profit and loss</b>		
Currency translation differences on foreign activities	3	4
Effective portion of changes in fair value of cash flow hedges	-4	-14
Effective portion of changes in fair value of cash flow hedges as a consequence of revaluation of investments in equity accounted investees	-4	-4
Income tax	-	3
	<b>-5</b>	<b>-11</b>
<b>Other comprehensive income items that never be reclassified to profit and loss</b>		
Actuarial result for defined benefit plans	16	3
Actuarial result for defined benefit plans as a consequence of revaluation of investments in equity accounted investees	15	3
Income tax	-3	-1
	<b>28</b>	<b>5</b>
<b>Other comprehensive income recognised in equity</b>	<b>141</b>	<b>174</b>
Attributable to:		
Shareholder of the company	141	174
Minority interest	-	-
<b>Total comprehensive income</b>	<b>141</b>	<b>174</b>



# Consolidated balance sheet as at 31 December 2015

## NV Nederlandse Spoorwegen

before profit appropriation

(in millions of euros)

31 December 2015

31 December 2014

### Assets

Non-current assets			
11	Property, plant and equipment	3,296	3,157
12	Investment property	194	196
13	Intangible assets	225	174
14	Investments recognised using the equity method	183	185
15	Other financial assets, including investments	340	226
16	Deffered tax assets	278	295
Total non-current assets		4,516	4,233
Current assets			
17	Inventories	138	119
15	Other investments	270	223
18	Trade and other receivables	659	499
	Income tax receivables	32	32
19	Cash and cash equivalents	671	775
Total current assets		1,770	1,648
Total assets		6,286	5,881

### Equity and liabilities

20	Equity		
	Share capital	1,012	1,012
	Reserves	2,179	2,024
	Unappropriated result	118	180
	Total group equity	3,309	3,216
	Minority interest	-	-
<b>Total equity</b>		<b>3,309</b>	<b>3,216</b>
21	Deferred credits	263	112
22	Loans and borrowings, including derivatives	440	867
23	Employee benefits	30	33
24	Provisions	155	140
25	Accruals	55	1
16	Deferred tax liabilities	168	169
<b>Total non-current liabilities</b>		<b>1,111</b>	<b>1,322</b>
22	Loans and borrowings, including derivatives	488	60
	Income tax payable	22	8
26	Trade and other payables	1,060	868
27	Deferred income	260	372
24	Provisions	36	35
<b>Total current liabilities</b>		<b>1,866</b>	<b>1,343</b>
<b>Total liabilities</b>		<b>2,977</b>	<b>2,665</b>
<b>Total equity and liabilities</b>		<b>6,286</b>	<b>5,881</b>

# Consolidated cash flow statement for 2015

## NV Nederlandse Spoorwegen

(in millions of euros)

	2015	2014
<b>Result for the period</b>	<b>118</b>	<b>180</b>
Adjustments for:		
Income tax expenses	26	106
Results on investments in equity accounted investees	-70	-40
11,13 Depreciation	330	332
Impairment losses and reversals	-	-
Net finance result	23	35
Change in provisions	16	-202
Change in non-current financial assets (including deferred tax positions)	-100	-
Change in other non cash, non-current liabilities	75	118
Change in deferred credits	151	-10
	<b>451</b>	<b>339</b>
Change in inventories	-19	-10
Change in trade and other receivables	-160	46
Change in current liabilities excluding credit institutions	79	-77
<b>Changes working capital</b>	<b>-100</b>	<b>-41</b>
Interest paid	-25	-30
Income tax paid	-3	-4
	<b>-28</b>	<b>-34</b>
<b>Net cash from operating activities</b>	<b>441</b>	<b>444</b>
Interest received	9	13
14 Dividends received and recognised using the equity method	47	50
Disposal of discontinued operation, net of cash	-	1
11,13 Acquisition of intangible assets and property, plant and equipment	-532	-401
12 Acquisition of investment properties	-8	-35
Receipts (payments) other investments	-47	8
Acquisition of non-current financial assets, including investments	-48	-33
Disposal of non-current financial assets, including investments	58	17
11,13 Disposal of intangible assets, property, plant and equipment and investment properties	12	6
<b>Net cash flow from investing activities</b>	<b>-509</b>	<b>-374</b>
<b>Net cash flow from operating and investing activities</b>	<b>-68</b>	<b>70</b>
Other changes in deferred credits	-	-
Repayments of liabilities	-57	-68
Non-current liabilities drawn down	58	4
Dividends paid	-48	-
<b>Net cash from financing activities</b>	<b>-47</b>	<b>-64</b>
<b>Net increase in cash and cash equivalents</b>	<b>-115</b>	<b>6</b>
Cash and cash equivalents as at 1 January	775	759
Effect of exchange rate fluctuations on cash held	11	10
<b>Cash and cash equivalents as at 31 December</b>	<b>671</b>	<b>775</b>

## Consolidated statement of changes in equity NV Nederlandse Spoorwegen

(in millions of euros)	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
<b>Revised balance as at 1 January 2014</b>	<b>1,012</b>	<b>-14</b>	<b>2,046</b>	<b>3,044</b>	<b>-</b>	<b>3,044</b>
Profit for the period			180	180	-	180
Other comprehensive income		-6		-6		-6
<b>Total comprehensive income</b>	<b>-</b>	<b>-6</b>	<b>180</b>	<b>174</b>	<b>-</b>	<b>174</b>
Dividend paid to shareholder			-	-	-	-
Other			-2	-2		-2
<b>Balance as at 31 December 2014</b>	<b>1,012</b>	<b>-20</b>	<b>2,224</b>	<b>3,216</b>	<b>-</b>	<b>3,216</b>
Profit for the period			118	118	-	118
Other comprehensive income		23		23		23
<b>Total comprehensive income</b>	<b>-</b>	<b>23</b>	<b>118</b>	<b>141</b>	<b>-</b>	<b>141</b>
Dividend paid to shareholder			-48	-48	-	-48
Other			-	-		-
<b>Balance as at 31 December 2015</b>	<b>1,012</b>	<b>3</b>	<b>2,294</b>	<b>3,309</b>	<b>-</b>	<b>3,309</b>

## Notes to the 2015 consolidated financial statements

### General information

NV Nederlandse Spoorwegen has its registered office in Utrecht, Netherlands. The company's consolidated financial statements for the 2015 financial year include the company and its subsidiaries (hereinafter referred to as the 'Group') and the Group's share in associates and companies that it controls jointly with third parties. NV Nederlandse Spoorwegen is the holding company of NS Groep NV, which in turn is the holding company of the operating companies. The figures for the consolidated financial statements of NS Groep NV are the same as the consolidated figures for NV Nederlandse Spoorwegen. The operating companies of NS Groep NV are listed on page 169.

The Group's activities consist mainly of transporting passengers and the management and development of property and station locations.

The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and their interpretations by the International Accounting Standards Board (IASB), as adopted for use by the European Union. The Executive Board prepared the financial statements on 18 February 2016. In its preliminary report to the General Meeting of Shareholders, the Supervisory Board advised that the financial statements should be adopted unaltered. On 18 February 2016, the Executive Board and Supervisory Board approved the publication of the financial statements. The financial statements are on the agenda of the General Meeting of Shareholders on 3 March 2016.

The accounting policies that have been adopted when preparing the financial statements are stated in note 32.

### Acquisition and disposal of companies

No participating interests were acquired in 2015.

The Group disposed of the shares in Trans Links Systems BV (TLS) on 31 December 2015. The total sale price was €42 million. This is based on the original capital investment by the Group in TLS, minus dividend receipts. The result of the participating interest in TLS for 2015 was €36 million and is accounted for under 'Share in result of equity accounted investees, accounted for using the equity method'. Of the income

from the sale, the sum of €6 million was financed through a subordinated loan to a newly founded cooperative venture.



# Notes to the 2015 consolidated income statement NV Nederlandse Spoorwegen

## 1. Revenue

The revenue can be split up into revenue categories as follows:

(in millions of euros)	2015	2014
Passenger services	4,241	3,410
station development and operation	543	558
Other activities	29	53
Intra group elimination	-57	-88
<b>Total turnover</b>	<b>4,756</b>	<b>3,933</b>
Other revenues	217	211
<b>Total revenue</b>	<b>4,973</b>	<b>4,144</b>

The turnover from station development and operation includes a sum of €48 million (2014: €68 million) relating to development activities.

## 2. Personnel expenses

(in millions of euros)	2015	2014
Wages and salaries	1,409	1,152
Social security contributions	175	166
Contributions to defined contribution plans	52	41
Contributions to defined benefit plans	44	16
Other staff costs	69	71
Staff hired	124	100
<b>Total</b>	<b>1,873</b>	<b>1,546</b>

The average staffing level was (in fte):	2015	2014
Passenger services	23,711	21,464
Station development and operation	3,267	3,412
Other activities	1,770	491
<b>Total</b>	<b>28,748</b>	<b>25,367</b>

The increase in the average staffing level for 'Other activities' is the result inter alia of the centralisation of a number of supporting services. The increase relating to 'Passenger transport' is in particular the result of the ScotRail concession, which started up in 2015.

### Remuneration of Executive Board members

The remuneration is determined by the Supervisory Board following a proposal by the Remuneration Committee. The Remuneration Committee consists of Ms T.M. Lodder (chair until 3 July 2015), Mr P. Rosenmöller (chair as of 3 July 2015) and Ms I. Jankovich. The topics discussed included the remuneration policy, the targets for the ExCo (members registered and those not registered in the articles of association) and the guiding principles for the remuneration policy for management (not covered by the collective labour agreement).

### Remuneration components and the relationship between the individual components

The Executive Board's remuneration consists of a fixed salary with employee benefits (expense allowance, lease car and pension) and a short-term variable component.

### Size of the remuneration in relation to the external remuneration market

In accordance with the remuneration policy, total remuneration is based on a weighted combination of relative remuneration in two external Dutch reference markets, namely 'public and semi-public' and 'private'. Using the median values in these markets, a weighted median value is determined in a ratio of 60 (public and semi-public market) to 40 (private market). As regards the public and semi-public peer group, a group of organisations has been chosen that are as compara-

ble as possible to NS in terms of their nature, size, complexity and impact. This public and semi-public group consists of AMC, the Tax and Customs Administration, Connexxion, GVB, Havenbedrijf Rotterdam, the Ministry of Infrastructure and the Environment, ProRail and Vitsens. The analysis considers the total cash remuneration of the senior executives in these organisations. In the case of the private market, the remuneration is used for Dutch management positions of a similar level. To this end, the Executive Board positions at NS are analysed using Hay Group's job weighting method, a method that is also used for other jobs within NS. The reference income for members of the Executive Board is 20% less than the income for the CEO.

#### *Performance criteria for the variable remuneration component*

The variable income is geared to the achievement of challenging objectives within one financial year and can be up to 20% of the fixed income, based on the applicable remuneration policy.

The variable component is comprised of two categories, namely the interests of passengers and the commercial interest. The two categories are weighted in a ratio of 75 to 25. The commercial objective is defined as achieving the budgeted operating result before interest and taxes (EBIT). The 'passengers' interest category explicitly draws a link with the 'public transport' function and its importance to society. The objectives relate to general customer satisfaction, punctuality for passengers, safety and reputation. Both categories have quantifiable performance criteria, for which targets are agreed that can be measured and evaluated over a period of a single year. To be entitled to the variable component, at least 90% of the budgeted commercial objectives have to be achieved and at least 90% of the weighted average of the results for general customer satisfaction, punctuality for passengers, safety and reputation. Furthermore, variable remuneration is only paid if at least the minimum values for general customer satisfaction and punctuality for passengers have been achieved as specified in the main rail network concession. In 2015, as part of the implementation of the motion proposed by the Dutch members of parliament Merksies and Bashir regarding not paying a bonus if the concession authority has imposed a penalty, it was agreed that no variable

remuneration would be granted for the indicators related to the main rail network (customer satisfaction and punctuality for passengers) if a penalty has been imposed based on one or both of these indicators.

The Supervisory Board has concluded that the commercial objective as agreed in advance with the Executive Board for 2015 was achieved. Of the targets in the 'passengers' interests' category, only the safety target was achieved. Although the targets with respect to customer satisfaction, punctuality for passengers and reputation were not achieved, the weighted average still exceeded the threshold of 90%. Mr Van Boxtel and Mr Robbe explicitly stated that they would waive their right to variable remuneration for 2015.

The remuneration policy includes a claw-back clause. The Supervisory Board has the discretionary authority at all times to determine the variable remuneration. In consultation with the Executive Board, the Supervisory Board has initiated a process to waive variable remuneration for them within the parameters of the remuneration policy. This will be worked out in more detail in the coming year.

#### *Pension plan*

The members of the Executive Board are also members of the pension plan with the sectoral pension fund (Sporwegpensioenfondsen).

#### *Employment contracts*

Mr R.H.L.M. van Boxtel was appointed CEO of NS for a period of one year with effect from 1 August 2015. The Supervisory Board observed the corporate governance code in the employment contract that it concluded with him. Mr Van Boxtel explicitly waived the right to variable remuneration.

Mr E.M. Robbe was appointed a member of the Executive Board for a period of four years as of 1 January 2011. The shareholder renewed his appointment on 1 January 2015 for a further term of four years. The above-mentioned corporate governance principles were also incorporated in his employment contract. The maximum variable remuneration for Mr Robbe has been reduced from 40% to 20% of the fixed salary with retrospective effect back to 1 January 2014. The fixed

salary was increased by 5% with effect from the same date and is recognised in 2015 as payment in arrears of the fixed salary for 2014. Furthermore compensation was paid for the lack of pension accrual over the payment in arrears of €4,497. The aforementioned changes mean that the employment terms and conditions for Mr Robbe have now been brought within the framework of the currently applicable remunera-

tion policy, with the consent of the shareholder.

#### *Remuneration of the Executive Board*

The specifications of the gross remuneration amounts for each member of the board that are to be paid by the company are as follows.

In euros	2015	2014
<b>R.H.L.M. van Boxtel<sup>a</sup></b>		
Fixed salary	179,167	-
Variable income	-	-
Alternative for the gap on pension accrual	16,500	-
Various allowances	2,475	-
Pension expenses	2,354	-
	<b>200,496</b>	-
<b>E.M. Robbe</b>		
Fixed salary	414,914	392,538
Variable income	-	72,129
Alternative for the gap on pension accrual	61,408	-
Various allowances	9,664	7,076
Pension expenses	5,649	20,471
Subsequent payment fixed salary 2014	19,627	-
Additional allowance for pension accrual 2014	4,497	-
	<b>515,759</b>	<b>492,214</b>
<b>T.H. Hugens<sup>b</sup></b>		
Fixed salary	215,000	430,000
Variable income	-	75,250
Alternative for the gap on pension accrual	23,100	-
Various allowances	13,619	26,843
Pension expenses	2,824	22,494
Termination benefits (after repayment variable remuneration in 2014 and excluding compensation legal costs)	175,583	-
	<b>430,126</b>	<b>554,587</b>
<b>M.W.L. van Vroonhoven<sup>c</sup></b>		
Fixed salary	-	98,135
Variable income	-	-
Alternative for the gap on pension accrual	-	-
Various allowances	-	2,938
Pension expenses	-	5,118
	-	<b>106,191</b>
<b>Total</b>	<b>1,146,381</b>	<b>1,152,992</b>

Re a) 1 August to 31 December 2015

Re b) until 30 June 2015

Re c) until 31 March 2014

### Internal salary ratios

The overall income of the employee with the highest fixed salary, namely the CEO, is nine times the median value of the salaries of all NS staff in the Netherlands.

### Pension

Members of the Executive Board are also members of the NS pension plan. As required by legislation, the accrual percentage of the retirement pension has been reduced as of 1 January 2015 to 1.875% and the pension accrual capped at a salary of €100,000. NS and the trade unions have agreed to pay out a gross contribution in addition to the salary as an alternative for the cap on pension accrual. NS is allocating a gross contribution of 12% of the part of the salary above €100,000 to all current and new staff. A transitional regulation will apply to staff aged 46 and above. They will receive an age-related contribution based on the part of their salary above €100,000. This percentage will be determined as a one-off action. Members of the Executive Board receive a contribution that is the same as in the scheme defined above for NS employees.

The employer's share of the pension costs for the entire Executive Board was €10,827 in 2015 (2014: €48,082). The employer's contribution to the pension expenses is two thirds of the total pension expenses. In addition, NS has paid a sum of €101,885 to the Executive Board as compensation for the limitation placed on pension accrual above the gross pensionable salary limit of €100,000.

### Lease cars

As per the NS lease-car regulations, the members of the Executive Board are entitled to a lease car. The scheme offers the option of waiving the right to a lease car and being paid the

gross lease amount instead. Mr Van Boxtel made use of this arrangement for half a month and received the gross sum of €655 in accordance with the regulations. Because he has been using a car with driver from mid-August onwards, he has waived the monthly remuneration. The scheme also offers the option of opting for a cheaper lease car with payment of the gross amount of the difference between the actual lease costs and the maximum allowable lease costs. Mr Robbe uses this option. He has a lease car and receives a sum of €441 in addition to that.

### Termination of the employment relationship with Mr Huges

Mr Huges' employment contract was terminated with legal effect as of 10 July 2015. Up to the date of his dismissal, Mr Huges received remuneration for health insurance of €3,575 and a gross remuneration for leasing of €7,860. Mr Huges received his salary for the entire month of July 2015 plus a sum equal to his salary for the six-month period of notice. Mr Huges waived the dismissal compensation of one year's salary that he would have been entitled to claim under the terms of his employment contract. Mr Huges has voluntarily paid back his variable remuneration of €75,250 received for 2014. The net result is that NS has paid Mr Huges a sum of €175,583 to settle the termination of his employment. In addition, Mr Huges received remuneration for costs relating to his legal assistance in the matter of the termination of his contract of employment, amounting to €65,000.

### Remuneration of the Executive Committee

The specifications of the gross remuneration amounts for the Executive Committee as a whole (excluding the members of the Executive Board) that were paid by the company over 2015 are as follows.

In euros

2015

#### Remuneration other Executive Committee<sup>a</sup>

Fixed and variabel remuneration <sup>b</sup>	1,994,323
Pension expenses	33,894
Termination benefits (excluding compensation legal expenses) <sup>c</sup>	249,802
<b>Total</b>	<b>2,278,019</b>

Ad a) The Executive Committee was active for a full year for the first time in 2015.

Ad b) Including fixed allowances and the compensation for limiting pension accrual above a gross pensionable salary of €100,000. Given the performance and the circumstances of last year, the Executive Board has decided not to pay a variable remuneration component to the Executive Committee for 2015.

Ad c) Agreements were made in mutual discussions with an ExCo member about termination of his employment. In that regard, a termination payment of €249,802 was agreed, plus an additional remuneration to cover legal fees up to a maximum of €75,000.



#### Remuneration of the Supervisory Board members

The remuneration of members of the Supervisory Board for 2015 paid by the company totalled €188,965. In 2014, the remuneration of members of the Supervisory Board paid by

the company was €204,560. The remuneration comprises a fixed fee and an allowance for participating in one or more committees. The specification of the amounts for each member of the Supervisory Board is as follows:

In euros	2015	2014
<b>T.M. Lodder</b> Chairman Supervisory Board, member remuneration and nomination committees	39,916	39,258
<b>G. van de Aast</b> (as of March 4, 2014) Vice chairman Supervisory Board, member audit committee	32,519	24,821
<b>J.J.M. Kremers</b> Chairman audit committee	34,900	34,051
<b>I.M.G. Jankovich</b> Member remuneration and nomination committees	29,900	29,900
<b>P. Rosenmöller</b> Chairman remuneration and nomination committees	32,804	29,900
<b>C.J. van den Driest</b> (untill June 24, 2015)	18,926	39,700
<b>F.J.G.M. Cremers</b> (untill March 5, 2014)	-	6,930
<b>Total</b>	<b>188,965</b>	<b>204,560</b>

The company has not extended any loans, advances or guarantees to members of the Executive Board or the Supervisory Board.

Supervisory Boards and staff members have not been granted rights to hold or acquire shares in the company.

All the shares of NV Nederlandse Spoorwegen are held by the State of the Netherlands. Members of the Executive and Su-

### 3. Depreciation, amortisation and impairments

(in millions of euros)	2015	2014
Depreciation of property, plant and equipment	286	306
Depreciation of investment property	8	7
Amortisation of intangible assets	36	19
<b>Total depreciation and amortisation</b>	<b>330</b>	<b>332</b>
Impairment (and reversal of impairments) of property, plant and equipment	-2	-2
Impairment investment property	2	2
Impairment intangible assets	-	-
<b>Total (reversal of) impairment losses</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>330</b>	<b>332</b>

### 4. Use of raw materials, consumables and inventories

(in millions of euros)	2015	2014
Materials	303	270
Energy	201	203
<b>Total</b>	<b>504</b>	<b>473</b>

## 5. Own capitalised production

The own capitalised production comprises the directly attributable personnel expenses and costs of materials used in the construction of assets for own use. This was mainly for the overhaul of trains.

## 6. Subcontracted work and other external costs

(in millions of euros)	2015	2014
Subcontracted work	72	94
Cleaning	82	73
Maintenance	161	110
IT costs	166	173
<b>Total</b>	<b>481</b>	<b>450</b>

## 7. Infrastructure and concession fees

(in millions of euros)	2015	2014
Dutch trainconcessions	375	394
English trainconcessions	443	357
German trainconcessions	34	28
<b>Total</b>	<b>852</b>	<b>779</b>

## 8. Other operating expenses

Other operating expenses include insurance, office accommodation and inventory costs, auditor's fees, marketing costs, rental and lease costs for operating assets and additions to provisions. The substantial increase in the other operating expenses was caused primarily by non-recurring income items in 2014 resulting from changes to provisions plus the start of the ScotRail concession during 2015.

### Auditor's fees

(in millions of euros)	2015	2014
Statutory audits	1,7	1,3
Other assurance engagements	0,4	0,1
Tax advisory services	-	-
Other services	-	-
<b>Total</b>	<b>2,1</b>	<b>1,4</b>

The auditor's fees comprise the fees both for services in the Netherlands and those for the network abroad.

## 9. Net finance result

(in millions of euros)

	2015	2014
<b>Recognised in the income statement</b>		
Interest income from available-for-sale financial assets	2	2
Interest income from deposits and banks balances	2	2
Other interest income from other investments	6	12
<b>Finance income</b>	<b>10</b>	<b>16</b>
Interest expense from financial liabilities measured by amortised cost	-23	-20
Interest expenses from interest rate swaps for cash flow hedging	-15	-13
Financial benefits	3	2
Exchange rate differences	2	-1
Interest expenses from discounting of provisions	-	-19
<b>Finance expense</b>	<b>-33</b>	<b>-51</b>
<b>Net finance result included in the income statement</b>	<b>-23</b>	<b>-35</b>

## 10. Income tax

(in millions of euros)

	2015	2014
<b>Included in the income statement</b>		
Current taxes	-17	2
Deferred taxes	-9	-108
<b>Total income tax</b>	<b>-26</b>	<b>-106</b>
<b>Reconciliation with effective tax rate</b>		
Profit before tax	144	286
Income tax at Dutch tax rate for corporation tax (2015 and 2014: 25%)	-36	-72
Non-deductible costs	-1	-1
Other permanent differences	16	9
Effect of the tax rate in foreign jurisdictions (different rate)	16	14
Revised valuation income tax position	-	-10
Effect of non-valuation of deductible losses	-23	-50
Settlement previous years	2	4
<b>Total income tax</b>	<b>-26</b>	<b>-106</b>
Income tax on income and expenses recognised directly in equity	-3	2

Corporate income tax is calculated based on the applicable tax rates in the Netherlands, the UK, Ireland, Belgium, Germany, France and the Scandinavian countries, taking into account the tax rules that produce permanent differences between the result valued for commercial purposes and the result valued for tax purposes. The tax rules include participation exemption and limits to deductible costs.

The effective tax burden for income tax on the result was 18% (37% in 2014).

Agreements have been made with the Dutch Tax and Customs Administration about the tax returns up to and including 2012. Finalised assessments for the subsequent years have not yet been received. In the financial statements for this year and previous years, tax is included on the basis of the tax returns submitted and the underlying principles adopted in those tax returns.

# Notes to the consolidated balance sheet as at 31 December 2015

## NV Nederlandse Spoorwegen

### 11. Property, plant and equipment

(in millions of euros)

2014	Land	Building	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
<b>Composition per 1 January, 2014</b>								
Cost	129	544	162	5,958	96	637	165	7,691
Cumulative depreciation and impairments	29	237	119	3,639	63	489	-	4,576
<b>Carrying amount as at 1 January 2014</b>	<b>100</b>	<b>307</b>	<b>43</b>	<b>2,319</b>	<b>33</b>	<b>148</b>	<b>165</b>	<b>3,115</b>
<b>Changes in 2014</b>								
Additions							382	382
Capitalisations	2	16	11	74	-	32	-135	-
Depreciation	-2	-19	-10	-229	-3	-43	-	-306
Exchange rate differences	-	1	-	1	-	1	-	3
Divestments	-2	-2	-3	-5	-	-3	-4	-19
Impairments	-	-1	-	-	-	-	-	-1
Reversal impairments	-	-	-	3	-	-	-	3
Other changes	-	-1	-	3	-	-19	-3	-20
<b>Total changes</b>	<b>-2</b>	<b>-6</b>	<b>-2</b>	<b>-153</b>	<b>-3</b>	<b>-32</b>	<b>240</b>	<b>42</b>
<b>Composition per 31 December 2014</b>								
Cost	129	557	170	5,966	96	604	405	7,927
Cumulative depreciation and impairments	31	256	129	3,800	66	488	-	4,770
<b>Carrying amount as at 31 December 2014</b>	<b>98</b>	<b>301</b>	<b>41</b>	<b>2,166</b>	<b>30</b>	<b>116</b>	<b>405</b>	<b>3,157</b>
2015	Land	Building	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
<b>Changes in 2015</b>								
Additions							463	463
Capitalisations	2	133	7	155	1	52	-351	-1
Depreciation	-1	-21	-8	-224	-3	-29	-	-286
Exchange rate differences	-	1	-	1	-	-	-	2
Divestments	-2	-	-	1	-	-4	-	-5
Impairments	-	-	-1	-	-	-1	-	-2
Reversal impairments	-	-	-	2	-	-	-	2
Other changes	-	-	-7	2	-	-26	-3	-34
<b>Total changes</b>	<b>-1</b>	<b>113</b>	<b>-9</b>	<b>-63</b>	<b>-2</b>	<b>-8</b>	<b>109</b>	<b>139</b>
<b>Composition per 31 December 2015</b>								
Cost	125	688	144	5,860	97	526	514	7,954
Cumulative depreciation and impairment	28	274	112	3,757	69	418	-	4,658
<b>Carrying amount as at 31 December 2015</b>	<b>97</b>	<b>414</b>	<b>32</b>	<b>2,103</b>	<b>28</b>	<b>108</b>	<b>514</b>	<b>3,296</b>

The 'Other changes' items are principally the result of revised estimates of the classification into 'Property, plant and equipment' and 'Intangible non-current assets', relating to software.

A change in the estimation method was made as of 1 January 2015, in which the depreciation period for upgrades to a proportion of the rolling stock was extended. This led to a reduc-



tion of €9 million in the depreciation in 2015.

Part of the rolling stock included as at the balance sheet date is part of the cross-border lease transactions that were concluded in the past. The book value of rolling stock financed by cross-border leases was €112 million at year-end 2015 (2014: €120 million).

For Eurofima loans that are not part of the cross-border lease finance arrangements, collateral has been provided in the form of pledges on rolling stock (see note 29). The book value for this is €274 million (2014: €317 million).

In addition, collateral was provided for a sum of €83 million (2014: €104 million) relating to leased assets. Further explanation is given in the section on Financial Risk Management (see note 29).

Assets under construction are primarily additions in rolling stock and buildings.

#### **Impairment and reversals**

The calculations that give the impairments and their reversals are based on a weighted average pre-tax discount rate that is between 5.5% and 7% (2014: between 5% and 7%).

## 12. Investment property

(in millions of euros)

2014

Total Investment  
property

### Composition per 1 January 2014

Cost	257
Cumulative depreciation and impairments	-88
<b>Carrying amount as at 1 January 2014</b>	<b>169</b>

### Changes in 2014

Additions	35
Depreciation	-7
Divestments	-
Impairment	-2
Reversal impairment	-
Other changes	1
<b>Total changes</b>	<b>27</b>

### Composition per 31 December 2014

Cost	292
Cumulative depreciation and impairment	-96
<b>Carrying amount as at 31 December 2014</b>	<b>196</b>

2015

Total Investment  
property

### Changes in 2015

Additions	8
Depreciation	-8
Divestments	-2
Impairments	-
Reversal impairment	-
Other changes	-
<b>Total changes</b>	<b>-2</b>

### Composition per 31 December 2015

Cost	295
Cumulative depreciation and impairments	-101
<b>Carrying amount as at 31 December 2015</b>	<b>194</b>

The fair value of investment properties on 31 December 2015 was €0.5 billion (€0.5 billion on 31 December 2014). This value has been determined in an independent and professional manner, using the services of recognised experts, and taking account of the current lease agreements that the Group has entered into on a commercial, objective basis and that are comparable to agreements for similar investment property at the same location. The determination of the fair value of the property portfolio is based on a discount rate of 10% (2014: 10%). If the discount rate adopted for the valuation of the

property portfolio as at 31 December 2015 were to be set 100 basis points higher than the current discount rate, then the value would drop by 10% (2014: 10%).

The investment property comprises a number of business premises let to third parties. The lease agreements usually provide for a period of several years during which they cannot be terminated. Thereafter, renewal is negotiated with the tenant. No provisional rental amounts are charged.

The direct rental income was €55 million (2014: €60 million).  
The direct rental costs are maintenance costs, property taxes

and direct management costs, coming to a total of €16 million (2014: €16 million).

## 13. Intangible assets

(in millions of euros)

2014

	Goodwill	Software and concessions	Total
<b>Composition per 1 January 2014</b>			
Cost	37	112	149
Cumulative depreciation and impairment	5	19	24
<b>Carrying amount as at 1 January 2014</b>	<b>32</b>	<b>93</b>	<b>125</b>

### Changes in 2014

Additions	-	44	44
Depreciation	-	-19	-19
Divestments	-	-	-
Impairment	-	-	-
Reversal impairment	-	-	-
Other changes	-	24	24
<b>Total changes</b>	<b>-</b>	<b>49</b>	<b>49</b>

### Composition per 31 December 2014

Cost	37	209	246
Cumulative depreciation and impairment	5	67	72
<b>Carrying amount as at 31 December 2014</b>	<b>32</b>	<b>142</b>	<b>174</b>

2015

	Goodwill	Software and concessions	Total
<b>Changes in 2015</b>			
Additions	-	65	65
Depreciation	-	-36	-36
Divestments	-	-	-
Impairments	-	-	-
Reversal impairment	-	-	-
Other changes	1	21	22
<b>Total changes</b>	<b>1</b>	<b>50</b>	<b>51</b>

### Composition per 31 December 2015

Cost	38	361	399
Cumulative depreciation and impairment	5	169	174
<b>Carrying amount as at 31 December 2015</b>	<b>33</b>	<b>192</b>	<b>225</b>

The goodwill as at the end of the financial year relates entirely to the passenger transport segment.

The 'Other changes' items are principally the result of revised estimates of the classification into 'Property, plant and equipment' and 'Intangible non-current assets', relating to software.

The cash flows that were used for determining the impairments

are based on the business plans drawn up by the business unit concerned for a period of at least five years. A weighted average discount rate is determined for each cash-generating unit, in line with those for comparable companies. The calculations that give the impairments and their reversals are based on a weighted average post-tax discount rate that is between 5.5% and 7% (2014: between 5% and 7%).

## 14. Investments recognised using the equity method

The financial data for the investments that are recognised according to the equity method, which have a book value of €183 million (2014: €185 million), are as follows:

(in millions of euros)

2014

Name entity	Merseyrail Ltd	Northern Rail Ltd	Real estate funds	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other investments	Total
Share percentage	50%	50%	53%	68,75%				
Current assets	32	94	30	227	5		41	
of which cash and cash equivalents	22	43	20	207	-		27	
Non-current assets	13	15	264	18	2		41	
Current liabilities	38	97	14	195	4		26	
of which current financial liabilities	-	9	-	-	-		3	
Non-current liabilities	7	17	-	15	-		14	
of which non-current financial liabilities	-	10	-	-	-		-	
Net equity (based on 100%)	-	-5	280	35	3		42	
<b>Carrying value investments in investees recognised using the equity method</b>	<b>-</b>	<b>-3</b>	<b>148</b>	<b>24</b>	<b>2</b>	<b>171</b>	<b>14</b>	<b>185</b>
Revenue	187	705	45	81	27		88	
Depreciation, amortisation and impairment	2	5	17	5	-		6	
Result from operating activities	23	22	16	15	4		5	
Finance income	-	-	-	-	-		-	
Finance expense	-	1	-	-	-		-	
Income tax expense	6	4	-	-	-		2	
Result for the period	17	17	16	15	4		4	
Total comprehensive income over the period	17	16	16	15	4		3	
<b>Share in result of investees recognised using the equity method</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>2</b>	<b>39</b>	<b>1</b>	<b>40</b>
Share in other comprehensive income	-	-1	-	-	-	-1	-	-1
Share in total comprehensive income of investees recognised using the equity method	8	8	9	11	2	38	1	39
Dividend received	9	11	20	7	2	49	1	50

continued on  
the next page

(in millions of euros)

2015

Name entity	Merseyrail Ltd	Northern Rail Ltd	Real estate funds	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other investments	Total
Share percentage	50%	50%	53%	0%				
Current assets	54	124	65	-	3		38	
of which cash and cash equivalents	39	61	51	-	0		18	
Non-current assets	12	13	245	-	2		17	
Current liabilities	56	123	15	-	2		16	
of which current financial liabilities	-	2	-	-	-		2	
Non-current liabilities	1	3	-	-	-		15	
of which non-current financial liabilities	1	0	-	-	-		-	
Net equity (based on 100%)	8	12	296	-	3		22	
<b>Carrying value investments in investees recognised using the equity method</b>	<b>4</b>	<b>6</b>	<b>157</b>	<b>-</b>	<b>1</b>	<b>168</b>	<b>15</b>	<b>183</b>
Revenue	212	777	41	61	29		87	
Depreciation, amortisation and impairment	2	6	-	4	1		5	
Result from operating activities	26	24	20	14	4		2	
Finance income	-	-	-	-	-		-	
Finance expense	-	1	-	-	-		-	
Income tax expense	5	5	-	-	-		1	
Result for the period	21	19	20	14	4		1	
Total comprehensive income over the period	29	33	20	14	4		1	
<b>Share in result of investees recognised using the equity method</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>36</b>	<b>3</b>	<b>69</b>	<b>1</b>	<b>70</b>
Share in other comprehensive income	4	7	-	-	-	11	-	11
Share in total comprehensive income of investees recognised using the equity method	14	17	10	36	3	80	1	81
Dividend received	10	8	8	18	3	47	-	47



## Interests in joint ventures

*Merseyrail Services Holding Company Ltd and Northern Rail Holdings Ltd*

The Merseyrail concession and the Northern Rail concession are carried out under 50/50 joint arrangements with Serco, a listed British company. NS and Serco have joint control, each with a 50% financial interest in the holding entities. The concessions are held by independent entities in which the holding company has a 100% interest. The results of the holding companies are distributed 50-50 to NS and Serco.

### Property funds

The Group has direct and indirect interests in the following limited partnerships:

	Percentage holding	Registered office
Stationslocaties OG CV	55,8	Utrecht
Basisfonds Stationslocaties CV	50,9	Utrecht

The parties with a participating interest in the limited partnerships have raised a joint equity stake that is invested in property at shared costs and risks. The Group is also the controlling partner, investing and managing the equity at the shared costs and risks of the partners, with the managing partner being jointly and severally liable for the debts of the limited partners. The interests in the property funds are classified as joint ventures.

As regards the investments that have been recognised according to the equity method, there are no material contingent assets and/or liabilities. As regards the valuation of the interests in the joint ventures, there are no significant estimates or assessments.

Pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code, a complete list of the Group's subsidiaries, associates and joint ventures has been filed with the office of the Trade Register in Utrecht.

## 15. Other financial assets, including investments

(in millions of euros)

	31 December 2015	31 December 2014
<b>Other non-current financial assets, including investments</b>		
Available-for-sale financial assets	132	151
Loans and receivables	149	26
Held-to-maturity investments	1	1
Financial leases	32	24
Other investments	26	24
<b>Total</b>	<b>340</b>	<b>226</b>
<b>Other current financial assets</b>		
Deposits	270	223
<b>Total</b>	<b>270</b>	<b>223</b>

Bonds and term deposits (included in 'Financial assets available for sale') are partly intended for the payment of the investment commitments of approximately €838 million (€680 million in 2014), repayments and interest payments on the loans, and long-term provisions and liabilities.

The loans and receivables include a loan to HTM Personenvervoer NV in the form of cumulative preference shares. The sum of €30 million provided is subdivided into the fair value of

the loan (€26 million) and the fair value of an option of €4 million. The value of the option is based on a cumulative yield that is in line with the market (4%) that NS must repay if it decides to terminate the loan agreement before the end of the term. Until such time as the option is exercised, the subsequent valuation of both the loan and the option will remain unchanged. Given its duration period, the option is seen as a non-current item. As of 1 January 2017, if the options are not exercised, the cumulative preference shares will be converted into ordinary

shares with a profit entitlement upon payment of an additional amount of €15 million.

The loans and receivables include the non-current part of the receivable (€118 million) payable by SPF (the Railway Pensions Fund), which derives from a new agreement between SPF and

NS, as described in note 23 (Employee benefits). It is expected that this receivable will be received in full by the end of 2017.

The Group's credit risks, currency risks and interest rate risks associated with the other investments are explained in more detail in note 29.

## 16. Deferred tax assets and liabilities

(in millions of euros)

	Net balance as at 1 Januari 2014	Recognised in income- statement	Recognised in total result	Other changes	Net position	Deferred tax assets	Deferred tax liabilities
<b>Position as at 31 December 2014</b>							
Property, plant and equipment	-28	-133	-	69	-92	63	155
Intangible assets	-4	-	-	-	-4	-	4
Non-current financial assets	-8	-	-	-	-8	-	8
Receivables	63	-31	-	-1	31	31	-
Provisions	40	-49	-	10	1	1	-
Deferred credits	37	-	1	-3	35	35	-
Loans and other financial obligations	14	-	-	-	14	14	-
Other items	-2	35	1	-35	-1	1	2
Loss compensation	115	70	-	-35	150	150	-
<b>Deferred tax assets (liabilities)</b>	<b>227</b>	<b>-108</b>	<b>2</b>	<b>5</b>	<b>126</b>	<b>295</b>	<b>169</b>

(in millions of euros)

	Net balance as at 1 Januari 2015	Recognised in income- statement	Recognised in total result	Other changes	Net position	Deferred tax assets	Deferred tax liabilities
<b>Position as at 31 December 2015</b>							
Property, plant and equipment	-92	-8	-	-7	-107	38	147
Intangible assets	-4	-3	-	-	-7	-	7
Non-current financial assets	-8	-3	-	-	-11	-	11
Receivables	31	-31	-	-	-	-	-
Provisions	1	-1	-	-1	-1	-	-
Deferred credits	35	38	-	-	73	73	-
Loans and other financial obligations	14	3	-4	-	13	13	-
Other items	-	-4	-	3	-2	2	3
Loss compensation	150	-	-	2	152	152	-
<b>Deferred tax assets (liabilities)</b>	<b>126</b>	<b>-9</b>	<b>-4</b>	<b>-3</b>	<b>110</b>	<b>278</b>	<b>168</b>

The 'Other changes' are due to alterations to the fiscal position as a result of submitting the tax return.

Net operational losses that have been categorised as tax losses under Dutch tax law and that arose in the Dutch subsidiaries can in general be settled against future profits achieved during the nine years after the year in which the loss was suffered, and can be settled against profits made in the year

preceding the loss-making year. There are comparable rules for the positions in foreign enterprises.

As at 31 December 2015, the Group had deferred tax assets for downward valuations amounting to €345 million. These deferred tax assets are partly covered by deferred tax liabilities that produce taxable profits in the reference period through to 2024 and forecast profits through to 2024, based on the Con-

cern Plan 2016-2020. The forecasts assume the current breakdown of the Group's activities, taking account of the main rail network concession, which started on 1 January 2015. On top of that, the Group has tax planning possibilities that can be implemented if necessary. Because the forecasts through to 2024 have an inherent margin of uncertainty, €67 million of the sum has not been valued. Of that, €50 million was already marked down in 2014. An additional downward revaluation of €17 million was already accounted for in 2015. The net deferred tax assets therefore amount to €278 million.

A rate of 25% applied in 2015 for Dutch corporate income

tax (25% in 2014). For the calculation of the deferred tax position of the Dutch entities, the applicable rate of 25% has been assumed. The Dutch tax authorities are currently investigating the fiscal handling of transactions with the Irish subsidiary, NS Financial Services. The investigation is focusing inter alia on the classification of the leasing agreements signed between NS and NS Financial Services; this relates to the years from 2013 onwards. The conduct of NS since these agreements were signed has been consistent in this regard; any other opinion about the eligibility of the lease agreements could have a material impact on the tax burden.

## 17. Inventories

(in millions of euros)	31 December 2015	31 December 2014
Maintenance materials	110	96
Projects under construction, unsold	17	14
Trade goods	11	9
<b>Total</b>	<b>138</b>	<b>119</b>

In 2015, the write-down of inventories to the net realisable value and recognised as an expense amounted to €6 million (€5 million in 2014). The cumulative impairment, after withdrawals, came to €95 million at the end of 2015 (€103 million in 2014).

## 18. Trade and other receivables

(in millions of euros)	31 December 2015	31 December 2014
Receivables from clients from projects in progress	1	6
Trade receivables	227	182
Unbilled revenue	106	98
Other taxes and social security charges	33	25
Other receivables	292	188
<b>Total</b>	<b>659</b>	<b>499</b>

'Trade and other receivables' includes an amount of €16 million (€22 million in 2014) that concerns related parties.

The combined credit risk exposure from trade receivables and other receivables (excluding the construction contract work in

progress) and the impairment losses are shown in note 29.

The 'Other receivables' show the current part of the receivable (€120 million) payable by SPF (the Railway Pensions Fund).

## Work in progress

(in millions of euros)	31 December 2015	31 December 2014
Costs of work in progress	22	17
Realised gains and losses	-2	-4
	20	13
Less: billed instalments	23	7
	-3	6
Presented under:		
<b>Receivables from clients for projects in progress</b>	<b>1</b>	<b>6</b>
<b>Advance payments received for projects in progress</b>	<b>-4</b>	<b>-</b>

The trade payables and other liabilities are stated in note 26.

## 19. Cash and cash equivalents

(in millions of euros)	31 December 2015	31 December 2014
Cash and bank balances	671	774
Constrained accounts	-	1
<b>Total</b>	<b>671</b>	<b>775</b>

The Group's interest rate risk and a sensitivity analysis for financial assets and liabilities are stated in note 29.

## 20. Equity

Please refer to page 128 for the movements in equity.

The authorised capital as at both 31 December 2015 and 31 December 2014 consisted of 4 million ordinary shares with a nominal value of €453.78 (originally NLG 1,000). There are 2,230,738 shares that are issued and fully paid up. All issued shares are held by the State of the Netherlands. The shareholders are entitled to a dividend, as annually declared, based on the resolution of the General Meeting of Shareholders regarding the appropriation of the

profit. The shareholders have the right to cast one vote per share at meetings of the company.

The financial statements for 2014 and the profit appropriation were determined in the shareholders' meeting of 3 March 2015. In accordance with the proposal, the profit of €180 million over the reporting period plus a sum of €132 million were allocated to the reserves and a sum of €48 million was paid out as a dividend.

The movements in the other reserves were as follows:

(in millions of euros)	Translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve for associates	Total other reserves
<b>Balance as at 1 January 2014</b>	<b>1</b>	<b>-28</b>	<b>-</b>	<b>2</b>	<b>11</b>	<b>-14</b>
Other comprehensive income	4	-11	-	2	-1	-6
<b>Revised balance as at 31 December 2014</b>	<b>5</b>	<b>-39</b>	<b>-</b>	<b>4</b>	<b>10</b>	<b>-20</b>
Other comprehensive income	3	-4	-	13	11	23
<b>Other comprehensive income</b>	<b>8</b>	<b>-43</b>	<b>-</b>	<b>17</b>	<b>21</b>	<b>3</b>

#### Translation reserve

This reserve covers all foreign exchange differences arising as a result of the conversion of the financial statements of foreign operations, as well as the conversion of liabilities hedging the company's net investment in an international group company.

#### Hedging reserve

The hedging reserve consists of the cumulative change in the fair value of hedging instruments if the hedged transaction has not yet taken place or the hedged position has not yet been settled.

#### Fair value reserve

The fair value reserve consists of the cumulative change in the fair value of investments available for sale until such time as the investment is no longer accounted for in the balance sheet.

#### Actuarial reserve

The actuarial reserve refers to the actuarial gains and losses, which comprise the difference between the actual and anticipated changes in the pension liabilities and investment returns on pension assets.

#### Revaluation reserve for associates

The revaluation reserve for associates comprises the cumulative non-realised results, recognised directly in associates' equity in accordance with the equity method. The change in 2015 is related to changes in the hedging reserve and actuarial reserve recognised by these associates.

#### General reserve

The recognition in equity is after deduction of taxes.

#### Dividend

The proposal regarding the appropriation of profit can be found under 'Other information' on page 187.



## 21. Deferred credits

(in millions of euros)	31 December 2015	31 December 2014
Financing benefits	1	2
Lump sum payments	272	120
<b>Deferred credits</b>	<b>273</b>	<b>122</b>
Less: current	-10	-10
<b>Total non-current as at 31 December</b>	<b>263</b>	<b>112</b>

A sum of €160 million was added in 2015 to the deferred credit relating to the lump sum for the employer's share of the contribution build-up. This is explained further in note 23.

The one-off payments plus the original balance (one-off payment for pay increases resulting from making SPF independent in 1994) are expected to be released in 2035, and be credited to the income statement.

## 22. Loans and other financial liabilities, including derivatives

This note contains information concerning the contractual stipulations for the Group's interest-bearing loans and other financial liabilities, which are measured at amortised cost.

(in millions of euros)	31 December 2015	31 December 2014
<b>Non-Current liabilities</b>		
Private loans	340	737
Finance lease liabilities	59	75
Interest rate swaps used for hedging	17	30
Commodity derivatives	24	25
<b>Total</b>	<b>440</b>	<b>867</b>
<b>Current liabilities</b>		
Private loans	453	44
Finance lease liabilities	18	16
Commodity derivatives	17	-
<b>Total</b>	<b>488</b>	<b>60</b>
<b>Total liabilities</b>	<b>928</b>	<b>927</b>

The private loans include a debt owed by NS Reizigers to the Ministry of Infrastructure and the Environment of €278 million (2014: €320 million) associated with the deferred payments of concession fees. Of that sum, €238 million has been included under non-current liabilities, for the proportion that is due to be paid after 2016. The portion that will be paid in 2016 (€41 million) is recognised in current liabilities. The interest rate is

fixed at 3.027%. The terms and conditions of the loan were agreed in more detail as of 1 January 2015 in the new main rail network concession.

The Group's liquidity risks, currency risks and interest rate risks associated with the loans and other financial liabilities are explained in more detail in note 29.

## 23. Employee benefits

The non-current employee benefits comprise:

- other non-current employee benefits, including long-service awards;
- obligations entailed by occupational disability and supplements to social security payments;
- obligations in connection with defined benefit pension plans (for further details, see pages 150 to 153).

(in millions of euros)	31 December 2015	31 December 2014
Defined benefit plans	2	2
Other long-term employee benefits	28	31
<b>Total</b>	<b>30</b>	<b>33</b>

### Pension liabilities

The staff of the NS Group companies are covered by the pension plans of the following pension funds. The table also shows the numbers of active members.

(number participants)	31 December 2015	31 December 2014
Railway pensionfund	16,073	15,780
Industry pensionfund Horeca & Catering	2,835	3,162
Industry pensionfund provision company	670	631
Additional pensionfund Servex	151	120
ScotRail	4,660	-
Greater Anglia	2,191	2,377
Abellio Transport Holdings	78	55
Abellio London & Surrey	1,918	1,863
Qbuzz	1,993	2,070

In cases where an employee is a member of an industry pension fund, the NS Group companies have no obligation to pay supplementary contributions in the event of a deficit in that industry pension fund, other than payment of future contributions. Equally, the NS group companies have no claim to any surpluses in the funds. Consequently, these pension plans have here been accounted for in these financial statements as defined contribution plans, as required by IFRS.

The total value of the pension contribution payments charged to the income account in 2015 was €96 million (2014: €57 million). The increase was largely due to the addition of the ScotRail concession with effect from 1 April 2015 and an increase in the pension contribution charged by Spoorwegpensioenfondsen.

### Spoorwegpensioenfondsen pension plan (defined contribution plan)

The pension plan for the railway industry is administered by Spoorwegpensioenfondsen. The plan qualifies for recognition in the financial statements as a defined contribution plan. The contribution agreed with SPF is a fixed annual contribution agreed in advance and expressed as a percentage of the pensionable earnings (9.7% in 2015; 8.1% in 2014). Two-thirds of the pension contributions paid to Spoorwegpensioenfondsen are at the expense of the company and one-third at the expense of the employees. After payment of the agreed contribution, the company has no obligation to pay additional amounts should there be a deficit in the pension fund. The actuarial risks and investment risks are borne by the pension fund and its members. The pension costs up to 2035 are partly offset by the release of the lump sum payment for wage increases (see note 21).

At the end of 2015, the Group made new agreements with the pension fund for dealing with the contribution build-up that came into effect on 1 January 2016. This led to a receivable payable by Spoorwegpensioenfondsen of about €240 million that will be paid in two years' time. The employees' part of the contribution build-up (one third of the amount) is included as a debt and will be settled with the employees over the next few years up to and including 2022. The employer's part of the contribution build-up (two thirds of the amount) has been added to the lump sum payment for wage increases and will be credited to the pension costs up to 2035. As of 2016, NS will pay the nominal pension contribution of 24% to the pension fund.

There is a defined contribution plan for Abellio London & Surrey, Qbuzz and the Servex supplementary pension scheme.

#### **Defined benefit plans**

Abellio Greater Anglia, Abellio ScotRail and Abellio Transport Holdings have arranged for a pension for their staff through the UK Railways Pension Scheme. The fund in question can be considered as a company pension fund and the pension plan as a defined benefit plan.

Every company is a designated employer for one or more cost-sharing agreements within the Railways Pension Scheme. Such cost-sharing agreements are geared to a lifelong pension. The size of the pension depends on how long an employee was an active member of the pension plan and on their salary when leaving the plan (final-salary plan).

Because of the character of the cost-sharing agreements, the amounts payable to cover both the costs of the accrued pension entitlements and any shortfall between the value of the

assets and the value of the pension liabilities are borne jointly by the employer and the contributing members in a ratio of 60% to 40% respectively. As a consequence, the employer recognises 60% of the total pension costs and pension liabilities in the balance sheet. The Railways Pension Scheme is administered by the Trustee, the Railways Pension Trustee Company Limited. The plan's assets are invested in investment funds, each with a different risk and return profile.

The pension liabilities and the pension assets are based on actuarial calculations that were performed for the situation on 31 December. At year-end 2015, the net liabilities of Abellio Transport Holdings Limited were €2 million (€2 million in 2014). The average term for the pension liabilities is about 24 years.

To reflect the nature of the concession, the shortfall between the pension liabilities and the pension assets for Abellio Greater Anglia and Abellio ScotRail have been included in 'Non-current liabilities' to the extent that they concern the concession period. The remaining amount at the end of the concession period is not recognised in the balance sheet because it will constitute part of the debts of the following concession holder.

Abellio ScotRail's pension plan was added with effect from 1 April 2015, the start of the concession. The net liabilities for Abellio Greater Anglia and Abellio ScotRail were zero at year-end 2015 (zero at year-end 2014 for Abellio Greater Anglia). The average term for both companies' pension liabilities is about 20 years.

#### *Basic assumptions for defined benefit plans*

The following assumptions were used for determining the pension liabilities and the pension assets (based on a weighted average):

	2015	2014
Discount rate	3.8%	3.8%
Increase of salaries	3.4%	3.6%
Increase of pension benefits	2.1%	2.4%
Inflation	3.1%	3.1%

Mortality table: 2013 SFO valuation (Greater Anglia and ScotRail) and S1NA tables with CMI 2013 projections (Abellio Holdings).

### Breakdown

The breakdown of the pension liabilities is as follows:

(in millions of euros)	31 December 2015	31 December 2014
Fair value of plan assets	1,221	460
Defined benefit obligations	1,700	722
<b>Deficit</b>	<b>479</b>	<b>262</b>
Members' share of deficit	-192	-104
Deficit at the end of the concessionary	-285	-156
Write-down of pension surplus	-	-
<b>Group's commitments concerning franchise period</b>	<b>2</b>	<b>2</b>

### Sensitivity analyses

Reasonably likely changes in one of the relevant actuarial assumptions on the balance sheet date while keeping all other assumptions constant would have the following effect on the gross liability pursuant to the defined benefit entitlements:

(change of 0.25%) (in millions of euros)	Increase	Decrease
Discount rate	-81	85
Inflation	85	-82
Future salary increase	29	-29

A change in life expectancy of one year would lead to a change in the gross liability of about €18 million.

The impact that these changes would have on the Group's net liabilities during the concession period is expected to be limited given the transfer of liabilities at the end of the Greater Anglia concession.

#### *Movement*

The changes in the pension assets and liabilities are as follows:

(in millions of euros)	2015	2014
<b>Plan assets as at 1 January</b>	<b>460</b>	<b>375</b>
Addition new fund	735	-
Interest income	36	18
Pension contributions	44	20
Pension benefits paid	-30	-13
Administration expenses	-5	-4
Return on plan assets, excluding interest income	-9	36
Reduction participants in the fund	-36	-
Exchange rate gains and losses	26	28
<b>Plan assets as at 31 December</b>	<b>1,221</b>	<b>460</b>
<b>Defined benefit obligations as at 1 January</b>	<b>722</b>	<b>603</b>
Addition new fund	1,048	-
Pension costs	66	23
Interest expenses	54	29
Pension benefits paid	-30	-13
Net actuarial gain or loss	-140	35
Reduction participants in the fund	-61	-
Exchange rate gains and losses	41	45
<b>Defined benefit obligations as at 31 December</b>	<b>1,700</b>	<b>722</b>

#### *Breakdown of plan assets*

The breakdown of the plan assets is as follows:

(in millions of euros)	31 December 2015	31 December 2014
Shares	769	236
Fixed-income securities	80	60
Property	150	48
Cash	134	36
Other	88	80
<b>Total</b>	<b>1,221</b>	<b>460</b>

#### *Pension costs recognised in the income statement*

(in millions of euros)	31 December 2015	31 December 2014
Pension costs	41	14
Interest expenses	-	-
Administration expenses	3	2
<b>Total</b>	<b>44</b>	<b>16</b>



### Unrealised actuarial gains and losses

(in millions of euros)	2015	2014
Net actuarial gain or loss		
- Demographic assumptions	-6	-
- Financial assumptions	145	-67
- Experience adjustments	25	31
Return on plan assets, excluding interest income	-9	37
Franchise adjustment	-78	3
Changes in members' share	-61	-1
<b>Total</b>	<b>16</b>	<b>3</b>

The Group expects to recognise pension costs amounting to €45 million relating the above-mentioned defined benefit plans in 2016. These pension costs were €44 million in 2015.

### Other non-current employee benefits

This includes long-service obligations. The AG2015 mortality table is used for the calculation of the long-service obligations.

The changes in the provision were as follows:

(in millions of euros)	2015	2014
<b>Long-service award obligation as at 1 January</b>	<b>31</b>	<b>28</b>
Payments	-3	-3
Actuarial gains and losses	-1	5
Accrued interest	1	1
<b>Long-service award obligation as at 31 December</b>	<b>28</b>	<b>31</b>

The current portion of this provision is €3 million. The sensitivities are as follows:

	2015	2014
Discounting (-0.5%)	4.1%	4.1%
Total wage increase (-0.5%)	-3.8%	-3.8%
Career opportunities (+25%)	2.6%	2.6%
Resignation probability (+25%)	-4.4%	-4.4%

## 24. Provisions

(in millions of euros)

	Reorganisation costs	Provision for soil remediation	Other provisions	Total
<b>Carrying amount as at 1 January 2014</b>	<b>7</b>	<b>92</b>	<b>76</b>	<b>175</b>
Addition	2	1	72	75
Accrued interest	-	-	-	-
Withdrawal	-3	-19	-20	-42
Other changes	-	-	-	-
Release	-3	-8	-6	-17
<b>Carrying amount as at 31 December 2014</b>	<b>3</b>	<b>66</b>	<b>122</b>	<b>191</b>
<b>Presented as:</b>				
Non-current	1	55	99	155
Current	2	11	23	36

### *Reorganisation costs*

The purpose of the provision for reorganisation costs is to cover the costs arising from reorganisation measures. Most of the provision is needed for redundancy schemes, bridging payments and the redeployment of staff whose jobs have disappeared as a result of restructuring. The release of the provision in 2014 mainly consist of the release as a consequence of the changed implementation of the TOP program.

### *Provision for soil remediation*

The provision for soil remediation is for managing and reme-

dying environmental damage.

The provision is calculated using an average discount rate of 1.5% (1.0% in 2014).

### *Other provisions*

Other provisions include provisions for losses arising from accidents and fire and provisions for risks deriving from the dissolution of cross-border leasing transactions. The donation to the other reserves comprises inter alia a provision for personnel expenses that may have to be paid out with retrospective effect.

## 25. Accruals

The accruals include the non-current part (€55 million) of the outstanding pension contributions for employee benefits deriving from the new pensions agreement between SPF and NS as explained in note 23 (Employee benefits). Over the coming

years through to 2022, the item will be settled with the employees, based on the discount defined with respect to the nominal contributions in the NS collective labour agreement.

## 26 Crediteuren en overige schulden

(in millions of euros)

	31 December 2015	31 December 2014
Advance payments received for work in progress	4	-
Trade payables	227	162
Current portion of deferred credits	10	10
Other taxes and social security charges	101	90
Other liabilities	464	361
Accrued expenses and deferred income	254	245
<b>Total</b>	<b>1,060</b>	<b>868</b>

The accrued expenses and deferred income include the monies received in the context of the FENS agreement (fund for one-off contributions). At the end of 2012, NS received a sum from ProRail as a consequence of the addendum to the FENS framework agreement. The total outstanding liability (€88 million) has been allocated through project-related decisions. About €36 million of the amount in this item is expected to have a term of more than one year.

The trade and other payables include an amount of €13 million (€4 million in 2014) that concerns related parties.

The Group's liquidity risk due to trade and other payables is stated in note 29.

For more detailed information about the sums received in advance for work in progress, see note 18.

## 27. Deferred income

This consists largely of season ticket payments received in advance.

## 28. Off balance sheet commitments

### Irregularities

#### *Authority for Consumers and Markets (ACM)*

In its judgement of 6 March 2015, the ACM concluded that NS had infringed Sections 67 and 71 of the Railways Act. The ACM judged that this infringement was committed by "the company NV Nederlandse Spoorwegen and its group companies as defined in Section 24b, Book 2 of the Dutch Civil Code". The conclusion of the ACM is that NS contravened the Railways Act by not making a reasonable offer for services at the stations. NS made an offer for service desks, staff break rooms, emergency stop facilities, posts for checking in and out, energy costs and journey information that was too late, incomplete, non-binding or not present at all (Section 67). In addition, the ACM concluded that NS passed on sensitive competitive information from Veolia and others to its subsidiary Abellio, thereby contravening Section 71.

The ACM also announced there would be further investigations into possible misuse of NS's economic power in the Eu-

ropean tender for the public transport concession in Limburg and any further transgressions of the Railways Act by NS and its subsidiaries.

The ACM can impose a penalty for infringements of Section 67 of the Railways Act (access) and/or Section 24 of the Competitive Trading Act (misuse of a position of power). Exactly when the ACM will publish any findings is as yet unclear. At this stage, the Group is not in a position to make a reliable estimate of the size of any penalties. We believe that providing any further information about this could seriously harm NS's right to defend itself – and thereby its position with respect to the ACM – and such details have therefore been omitted, citing Article 92 of the International Accounting Standards IAS 37.

#### *Veolia*

Veolia held NS and a number of NS subsidiaries (jointly and severally) liable on 17 June 2015 for the damages that alleg-

edly arose through (1) the irregularities observed in the report dated 28 April 2015 by De Brauw Blackstone Westbroek (hereinafter 'De Brauw') and (2) passing on supposed company-confidential and competition-sensitive information about Veolia (more specifically passing on the letter from Veolia Transport Limburg BV dated 12 August 2014), plus reasonable costs incurred for determining the damages and liability. The evidence and the level of damages allegedly suffered have not yet been made sufficiently concrete. The outcome of any legal procedure (and thereby any potentially allowable claims for damages) is currently uncertain and therefore not included.

#### *Public Prosecution Service*

The Public Prosecution Service (specifically, the Office for Financial, Economic and Environmental Offences in s'-Hertogenbosch) started an investigation in 2015 into possible criminal acts in connection with the tendering process for public transport in Limburg. The investigation is focusing on the actions and circumstances surrounding an alleged arrangement regarding the disclosure of business secrets. The suspected parties include the companies NS Groep NV, Qbuzz BV, Abellio Transport Holding BV and Abellio Nederland BV. In February 2016 the Group received the final report of the investigation. Over the coming period, the Public Prosecution Service will assess the evidence and consider the possible follow-up steps. It is not yet possible to say with any certainty whether prosecution will actually follow, not to determine with a sufficient degree of reliability

what the financial consequences may be (in terms of fines, sanctions, etc.). As a result, no provision has been included for this in the financial statements.

#### *Other*

There is an inherent risk that additional claims will follow as a result of the irregularities that have been observed. The claims mentioned above could have a material impact on the results and equity position of NS. Because the outcome cannot be reliably estimated at this point in time, no provisions have been included for it.

#### **Long-term contracts**

There were a number of long-term financial commitments to third parties at year-end 2015. These mainly concern operating lease agreements for trains, company cars and copiers. Secondly, there are long-term contracts for services by third parties in the areas of IT, employee health and safety, maintenance and cleaning.

The total commitments with regard to long-term rental contracts for office space amount to €148 million (approximately €189 million in 2014).

#### *Operational lease agreements*

The lease amounts payable for operational lease agreements that cannot be cancelled fall due as follows:

## Operational lease agreements

(in millions of euros)

	31 December 2015	31 December 2014
< 1 year	317	223
1-5 years	2,006	343
>5 years	940	309
<b>Total</b>	<b>3,263</b>	<b>875</b>

A sum of €32 million of the lease payments is being compensated by the client.

In 2015, a sum of €349 million was accounted for as a liability for operational lease agreements.

#### **Energy contracts**

As at the end of 2015, the purchase obligations under the energy contract in the Netherlands for the volumes already covered and the payments for the programme of responsibilities and the surcharge for green electricity over the period 2016-2024 (the remainder of the 10-year contract) came to

€207 million (as opposed to €194 million at the end of 2014).

The volume expected to be required for 2016 is fully covered. Transport costs and energy tax are not included in the purchase obligations shown. If the difference between the market values and the contract value exceeds a given threshold, the Group or Eneco does then have to give the other party

guarantees or provide cash collateral. Any payments and liabilities are netted as they are both inextricably linked.

With respect to the forward contracts that are used for covering fuel costs abroad, Abellio has given guarantees for a sum of €7 million.

For more detailed information about the energy contracts, please refer to note 29.

### Tax group

For the purpose of income tax, all the Dutch subsidiaries belonging to the Group (with the exception of Qbuzz) are part of the NS tax group, with the exception of the foreign corporate units. As a result, the Group is ultimately liable for all tax liabilities of the subsidiaries included in the tax group.

### Investment commitments

At the end of 2015, the Group had outstanding investment commitments of €838 million (2014: approximately €680 million), primarily for purchasing and upgrading trains and investments in the areas around the stations.

### Contingent liabilities

The Group has paid €28 million (after conversion) into its

share in the issued share capital of Eurofima AG (a sum of €111 million after conversion). The Group has a liability for full payment on demand of the shares and other guarantee commitments totalling €250 million. Payment of the liability can be demanded if Eurofima AG's own equity position gives reason to do so. For Eurofima loans that are not part of the cross-border lease finance arrangements, collateral has been provided in the form of pledges on rolling stock.

As a result of the agreements made with the Belgian carrier regarding the Intercity to Brussels, the Group is making allowances for a negative balance (for the Group) in the settlement of the costs of commercial operation for this route. The size of that negative balance depends on the commercial results on that route.

A number of investigations are ongoing and various claims have been submitted against NS and/or its group companies, which NS is contesting. Although the outcome cannot be predicted with certainty, it is expected that these will not have negative financial consequences of any material significance.

### Concessions

The Group has the following concessions:

Concessions in 2015	Expiry date
<b>Netherlands</b>	
Hoofdrailnet/ HSL-Zuid	December 31, 2024
Regional train concessions	see hereafter
Zuidoost-Friesland (bus)	December 16, 2016
Groningen-Drenthe (bus)	December 13, 2019
Bestuursregio Utrecht (bus)	December 16, 2023
<b>Great Britain</b>	
Merseyrail-concession surrounding Liverpool	July 20, 2028
Northern Rail-concession	March 31, 2016
Greater Anglia-concession	October 16, 2016
Abellio London-concession (bus)	see hereafter
ScotRail-concession in Scotland (from 1 April 2015)	March 31, 2022
<b>Germany</b>	
Emscher Ruhrtal	December 1, 2019
Ruhr Sieg Netz	December, 2019
Der Mungstener	December 1, 2019
Saale-Thüringen-Südharz (from december 2015)	December, 2030



## **Main rail network**

The main rail network concession is awarded by the Ministry of Infrastructure and the Environment and it covers passenger transport by rail on the main rail network in the Netherlands. The old main rail network concession and the HSL concession (see next paragraph) ended in 2014 and the ministry decided in December 2014 to award a new integrated main rail network concession to NS for the period from 1 January 2015 to 1 January 2025. The train services on the HSL South are also covered by this concession from 1 January 2015 onwards. It has been stipulated in the concession that performance must improve during the term of the concession. The interim evaluation and final evaluation will take place in 2019 and 2024 respectively. If NS does not achieve the target values for 2019 or 2024 respectively, NS will be obliged to pay a sum from €1.5 million up to a maximum of €19.5 million for each performance indicator not attained at each evaluation moment. If NS does meet the conditions, a maximum bonus of €10 million can be earned for each evaluation. In addition, the ministry can impose a fine of a maximum of €6.5 million a year if NS does not achieve the baseline minimum values for the concession performance indicators. In 2014, that maximum was still €2.75 million. The performance indicators are measured for the following performance areas: general (customer satisfaction), the door-to-door journey, comfortable journeys (transport capacity at peak times), journey information (in the event of disruptions), safety (including personal safety) and reliability (punctuality for passengers).

The agreements made with the governmental authorities include ones on the production resources (rolling stock in particular) that are to be used for operating the main rail network concession. Depending on the ownership details and the form of tendering, the production resources may be leased in the event of complete or partial loss of the main rail network concession to a subsequent concession holder, sold at book value and/or their leases may be transferred unchanged to the subsequent concession holder.

The overall fees for track use and the concession for the integrated main rail network/HSL South concession were €376 million in 2015. The negotiation agreement of 2011 included an adjustment mechanism for avoiding the liquidation of HSA.

This adjustment mechanism has been included in the implementation agreement for the concession. It essentially means the following: if the average return on investment for the concession holder over a fixed period turns out to be lower than the threshold value (4%), then the holder will be entitled to an adjustment to the concession price (equal to the difference between the actual return and 4%, with the adjustment over the entire duration of the concession being capped at the equivalent of €144 million at 2010 prices). There is no entitlement to any such adjustment over 2015. Any entitlement to an adjustment will be first calculated in 2016 over the average return on investment for 2015 and 2016, and thereafter on a rolling basis over the previous three years. An entitlement to an adjustment to the concession price deriving from the implementation agreement will not then lapse if at any moment in subsequent years the return on investment is higher than the threshold value. Payment of any entitlement that may have arisen to an adjustment to the concession fee will be spread in instalments, as per the implementation agreement.

The concession also includes an adjustment mechanism for a settlement of any windfalls in energy price changes over the concession period. This adjustment will be calculated cumulatively, with NS owing the Ministry of Infrastructure and the Environment 75% of the difference between the actual energy prices and the forecast energy prices according to the business case, with no adjustment being made at times when the cumulative actual return on investment falls below the cumulative norm return. Separately from the calculation outlined above, NS is liable for an unconditional one-off sum of €56 million to the ministry for 2015; this payment is being amortised linearly over the entire term of the concession. This arrangement is capped at €290 million and will never result in a payment to NS by the Ministry of Infrastructure and the Environment. No energy cost adjustment is owed for 2015 in addition to the payment of €56 million.

## **Regional rail concessions**

This concerns passenger transport by rail on the routes listed below.

The concessions specify the conditions with respect to frequency, accessibility, level of service, etc.

During 2015, NS operated the following four concessions,

which will run for the periods stated:

- Gouda – Alphen aan den Rijn until 10 December 2016
- Zwolle – Kampen until 9 December 2017
- Zwolle – Enschede until 9 December 2017
- Rotterdam – Hoek van Holland Strand until 31 March 2017

The concessions have been awarded by the provinces or metropolitan regions in question. For the operation of the concessions, a fee is received from the authority granting the concession.

### **Merseyrail concession**

This concession is operated as a 50-50 joint venture with Serco, a listed British company. It concerns passenger transport on the rail network in the region around Liverpool. The number of train-kilometres is about 7 million per annum.

There is an obligation to operate defined services (timetable, quality of the service) for a fixed fee paid by the regional authorities. Every five years there is an evaluation that includes checking whether the operations are still 'efficient'. The first assessment was made in 2009. The second assessment is currently being completed. The concession runs for 25 years (through to 20 July 2028). There is an option for a five-year extension. The annual payment received from the authorities (grant) is determined in the contract and is index-linked annually.

### **Northern Rail concession**

This concession is operated as a 50-50 joint venture with Serco, a listed British company. It involves regional and urban passenger transport in the north of England. The number of train-kilometres for this concession is around 45 million per annum. There is an obligation to provide the specified services (timetable, quality of the services) for a predetermined fee paid by the government (grant), which is index-linked on an annual basis. An agreement was signed in March 2014 in which the concession was extended by 22 months to 6 February 2016; and then extended again to 31 March 2016. As of 1 April 2016, the concession will be handed over to the successor concession holder.

### **Greater Anglia concession**

Abellio won the Greater Anglia concession in 2011. This concession is operated by the full subsidiary Abellio Greater Anglia

Ltd. It concerns passenger transport on the rail network in the Anglia region in the east of England. The number of train-kilometres for this concession is around 34 million per annum. The concession started operation on 5 February 2012 and continued until 19 July 2014. An agreement was signed in April 2014 by which the concession was extended by 27 months, to 15 October 2016, with an option for an additional extension by a maximum of 7 months. There is an obligation to provide the set services (timetable, quality of the services) for a predetermined fee paid to the government, which is index-linked on an annual basis. There are also seventeen concession obligations that must be met during the term of the concession, with penalty clauses if the obligations are not met. On 31 May 2015, a number of Crossrail and West Anglia stations and services were transferred to Transport for London concessions, reducing the scale of the Greater Anglia concession by a sixth.

### **ScotRail concession**

Abellio won the ScotRail concession in October 2014. The concession will run for a minimum of 7 years, starting on 1 April 2015. An extension to 31 March 2025 is possible by mutual consent after an evaluation in Year 5, with an option for a further extension of 2 years through to 31 March 2027. The ScotRail concession was awarded by Transport Scotland and will be operated by the fully-owned subsidiary Abellio ScotRail Ltd, providing intercity, regional and provincial passenger transport by train on the Scottish national rail network. There are 355 stations, 4,800 staff and 2,300 trains per day, so the operations are intensive, comparable in scale to the Northern Rail concession (472 stations, 5,200 staff and 2,500 trains a day). There is an obligation to provide the specified services (timetable, quality of the services) for a predetermined fee paid by the government (grant), which is index-linked on an annual basis.

### **Concessions in Germany**

Abellio operates various train services in the North Rhine-Westphalia and Central Germany regions for a predetermined fee paid by the government (grant), which is index-linked on an annual basis. The concessions run for periods that end at various points between 2019 and 2030. In 2012, the Saale-Thüringen-Südharz-Netz rail concession was acquired with a start date in December 2015 and annual revenue of around

€130 million. This concession runs 35 new Talent 2 trains on 575 kilometres of track. In 2014, the Niederrhein-Netz rail concession was won with a starting date in December 2016 and annual revenue of around €42 million. In June 2015, Abellio won two routes of the Rhine-Ruhr-Express (RRX); the first will run from Münster to Dortmund, Düsseldorf, Cologne and Aachen and the second from Düsseldorf to Essen, Dortmund, Paderborn and Kassel. The RRX will start in December 2018 and the annual turnover will be about €70 million. In addition, Abellio won the Saxony-Anhalt diesel network contract in December 2015. From December 2018 onwards, Abellio will be running 12 routes in the Saxony-Anhalt region, involving some 9 million train-kilometres and turnover of €120 million per annum.

### Concessions in London

Abellio London operates 47 bus routes in London from 5 depots, and 29 bus routes in Surrey from one depot. The concessions have terms of 5 years on average with an option for an extension of 2 years, depending on the attainment of various performance criteria. Approximately 47 million bus-kilometres are driven annually, using a fleet of 769 buses.

### Qbuzz concessions

Qbuzz operates regional bus concessions in Friesland (until December 2016, after which the concession will be handed over to Arriva), Groningen-Drenthe (until December 2019) and Utrecht (December 2014 until December 2023). As at 31 December 2015, Qbuzz operated over 700 buses and 27 trams.

## 29. Financial instruments – Risk management and fair value

Because financial instruments are used, the Group is exposed to the following risks:

- Market risks consisting of:
  - Interest rate risk
  - Currency risk
  - Price risk for energy
- Credit risk
- Liquidity risk
- Insurance risks
- Risks deriving from cross-border transactions

### Risk management framework

The Executive Board bears the final responsibility for setting up monitoring of the Group's risk management framework. The Audit Committee and the Supervisory Board make sure that the risk management framework is sufficient in view of the risks to which the Group is exposed. The Group's Audit Committee is supported in its supervisory role by NS Audit and the Group's Control & Expertise department. NS Audit provides additional assurance concerning the proper control of all the NS business processes by performing regular and occasional evaluations. The findings of NS Audit are reported to the Audit Committee.

The Group's risk policy aims to identify and analyse the risks confronting the group, establish suitable risk limits and controls, and monitor compliance with the limits. Policy and systems for financial risk management are regularly assessed and, where necessary, adjusted to allow for changes in the market conditions and the Group's activities. Financial risk management is one element of the NS risk framework.

In order to ensure appropriate risk management, additional policies have been defined for a number of business units. For instance, NS Insurance, Abellio and NSFSC have specific risk controls with respect to their business units, for which Corporate Treasury determines the substantive content of the financial risk management.

The Group is also involved through Abellio in transport concessions abroad. These activities are mainly in the UK, largely independent and with the remainder in a joint venture with the partner Serco in which the two parties have equal representation. Abellio also has companies in the Netherlands and in Germany. The nature of the risks and the control measures are comparable to those of NS, taking account of the scale of these activities.

## Market risks

Market risk is the risk that the Group's income and expenditure, or the value of investments in financial instruments, will be negatively affected by changes in market prices, such as commodity prices, currency exchange rates and interest rates. The management of market risk has the goal of keeping the market risk position within acceptable limits with the best possible return on investment. The market risk comprises three types of risk: interest rate risks, currency risks and price risks.

### Interest rate risk

The Group's policy is aimed at ensuring that at least 50% of

the interest rate risk on loans taken out is based on a fixed rate of interest. When determining the interest rate risk on the loans taken out, the Group can take account of the available liquidity that can neutralise the interest rate risk of loans at variable rates. The Group uses derivatives such as interest rate swaps to limit the interest rate risks.

Interest rate risks are predominantly managed centrally. Retaining interest rate positions relating to foreign parts of the concern is subject to regulations and the positions adopted are restricted to defined limits. No speculative positions are held.

### Exposure to interest rate risks

The interest rate profile of the interest-bearing financial instruments is as follows:

(in millions of euros)

	31 December 2015	31 December 2014
<b>Assets/liabilities with a fixed interest rate</b>		
Financial assets	277	165
Financial liabilities	-421	-423
	<b>-144</b>	<b>-258</b>
Effects interestswaps	-358	-359
	<b>-502</b>	<b>-617</b>
<b>Assets/liabilities with a variable interest rate</b>		
Financial assets	923	998
Financial liabilities	-449	-449
	<b>474</b>	<b>549</b>
Effects interestswaps	358	359
	<b>832</b>	<b>908</b>

### Cash flow interest rate risk

The cash flow interest rate risk is the risk that future cash flows of a financial instrument with a variable interest rate will fluctuate as a consequence of movements in market rates.

A reasonably feasible change of 0.5% in the interest rate as of the reporting date could mean that the equity and the result could increase or decrease by the amounts stated below. This analysis assumes that all other variables, particularly the exchange rates, remain constant.

*Interest rate sensitivity of the result/equity after tax to variable rates*

(in millions of euros)	Results, after taxes		Equity after taxes	
	Increase of 0.5%	Decrease of 0.5%	Increase of 0.5%	Decrease of 0.5%
<b>December 31, 2014</b>				
Financial instruments with a variable interest	2	-2	-	-
Interestswaps	1	-1	-3	3
<b>Sensitivity of cash flows (net)</b>	<b>3</b>	<b>-3</b>	<b>-3</b>	<b>3</b>
<b>December 31, 2015</b>				
Financial instruments with a variable interest	1	-1	-	-
Interestswaps	1	-1	-1	1
<b>Sensitivity of cash flows (net)</b>	<b>2</b>	<b>-2</b>	<b>-1</b>	<b>1</b>

As at the reporting date, the percentage of loans with variable rates after hedging using interest rate swaps was 93% of the overall portfolio. The hedging of the interest rate risk using cash flow hedge accounting is as follows:

(in millions of euros)	31 December 2015	31 December 2014
<b>Cashflow hedge accounting</b>		
Hedged value of the underlying private loans	417	418
Underlying value of the interest rate swaps	417	418
Hedge effectiveness	100%	100%

*Fair value interest rate risk*

The interest rate risk for part of the financial fixed assets available for sale is hedged by means of a fair value hedge making use of interest rate swaps. These interest rate swaps had a nominal value of €60 million at the end of 2015 (2014: €60 million). The book value of these derivatives was €0.5 million at the end of 2015 (2014: €0.5 million).

**Currency risk**

The Group is exposed to currency risks on purchases, trading activities, liquid assets, loans taken out, other balance-sheet positions and liabilities not included in the balance sheet denominated in currencies other than the euro. Because of its business activities, the Group mainly has currency positions in sterling (GBP), Norwegian krone (NOK) and Swiss francs (CHF).

The risk of fluctuations in exchange rates is hedged using forward exchange contract, spot and forward purchases and sales and swaps, thereby hedging one or more of the risks to which the primary financial instruments are exposed. Buying and selling, investment and financing commitments, and settling accounts with foreign railway companies that are denominated in

a currency other than the functional currency of the Group's business units take place in euros (EUR) and pounds sterling (GBP).

Currency risks deriving from the conversion of balance sheet items held by foreign subsidiaries or participating interests for which the functional currency is not the euro are only covered if the Group expects to terminate the business activities in question in the shorter or longer term. If no decision has been made to dispose of or close the subsidiary in question, the currency risk is not covered and the conversion differences are accounted for in equity via the statutory reserve for exchange-rate differences. At the end of 2015 and 2014, no materially significant positions were held in currencies other than the functional currency of the business units concerned, with the exception of participating interests retained in foreign currencies.

At the end of 2015, the Group entered into a number of forward contracts in order to cover specific currency positions. The fair value of these currency derivatives at the end of 2015 was €1.0 million (year-end 2014: €0.3 million).



### *Sensitivity analysis for foreign currencies*

Given that no materially significant items were held in foreign currencies at the end of 2015 or the end of 2014, a change in the value of the euro with respect to a foreign currency at the yearend will not have any material effect on the equity and the profits over the reporting period.

### **Price risk for energy**

#### *Netherlands*

The Group is affected by market fluctuations in the price of energy. In 2014, the Group signed a ten-year contract (2014-2024) with Eneco for the supply of green traction electricity for the rolling stock fleet in the Netherlands. From 2015 onwards, 50% of the trains in the Netherlands will be running on renewable 'green' electricity, and by 2018 the Group's traction will be entirely green. The contract covers the following risks (entirely or in part) as follows:

- **Price risk:** the fees for the Programme for Responsibility and Guaranteed Origins are fixed for the entire contractual period. The contract offers the possibility of purchasing the requisite electricity in future years based on a hedging strategy, which will limit the exposure to market prices.
- **Credit risk:** the credit risk is limited to the thresholds that depend on the credit rating. If the so-called exposure (which allows for aspects such as the difference between market values and contract values of electricity covered using a hedging strategy) turns out to be above a certain threshold (that depends on the credit rating), the Group or Eneco does then have to give the other party guarantees or provide cash collateral.
- **Volume risk:** the volume risk is limited because the volume for the previous year is given as the volume required in each new year. Within the year in question, in addition to the above, there is also a bandwidth for the volume within which a greater or smaller consumption figure does not affect the price.
- **Image risk:** the contract provides for an evaluation in 2019 to assess whether the traction energy is sufficiently 'green' by then. Should this not be the case, which we neither expect nor want, then the Group is entitled to terminate the contract as of 2020.

The contract complies with the 'own use' criteria and is not classified as a derivative.

#### *United Kingdom*

Abellio has entered into fuel hedging contracts for a number of subsidiaries to cover movements in fuel prices and the associated currency risks. To do that, monthly forward contracts are used for a proportion of its fuel costs for a future period (ranging from January 2016 to March 2020) in order to cover the risks relating to the fuel costs and the associated currency risks. The guarantees given with these hedging contracts are included in note 28.

#### *Sensitivity of commodity (fuel) derivatives*

The sensitivity of the commodity derivatives with a book value as at 31 December 2015 of €41 million (€25 million on 31 December 2014) is as follows: A rise of €0.10 in the fuel price would cause a reduction in the negative value of the commodity derivatives of approximately €19 million (31 December 2014: €20 million) and equity would increase by €15 million (31 December 2014: €16 million). If the fuel price fell, an opposite effect would be seen.

### **Credit Risk**

Credit risk is the risk of financial loss by the Group if a customer or counterparty to a financial instrument does not meet its contractual obligations. Credit risks mainly arise from receivables from customers and from investments. There was no significant concentration of credit risks as at the balance sheet date.

The book value of the financial assets represents the maximum credit risk. For details of the credit risk regarding Eurofima, please refer to note 28. The maximum exposure to credit risk at the reporting date was as follows:

(in millions of euros)	Disclosure	31 December 2015	31 December 2014
Available-for-sale financial assets	15	132	151
Loans and receivables	15	149	26
Held-to-maturity investments	15	1	1
Finance leases	15	32	24
Other financial assets	15	26	24
Deposits	15	270	223
Trade and other receivables	15	519	370
Cash and cash equivalents	15	671	775
<b>Total</b>		<b>1,800</b>	<b>1,594</b>

#### *Investments*

The Group limits its credit risk in its investments by only investing with other parties that comply with the policy drawn up by the company. There are regular checks to see if the contractual parties still comply with the policy or whether further actions are needed.

Given the creditworthiness of the counterparties, the Group expects that those counterparties will fulfil their obligations. No impairment losses were suffered on the investments, bonds and deposits in 2015 or 2014. Investments are in principle made with counterparties with a long-term credit rating of at least A- from Standard & Poor's and a long-term credit rating of at least A3 from Moody's, or with a number of Dutch municipalities. If a counterparty only has a single credit rating, it must fulfil the rating requirements stated above from Standard & Poor's or Moody's. Investments that no longer comply with this policy are either permissible as exceptions and monitored frequently or reduced (generally through normal progression), which may mean they persist for some time after the balance sheet date. The Group's foreign companies do not have significant long-term cash surpluses, unless this is the result of their normal business activities (monies received in advance).

#### *Trade and other receivables*

The Group's credit risk relating to trade and other receivables is mainly determined by the individual characteristics of the separate customers. The demographic features of the customer base, the risk of non-payment in the sector and the country in which the customers are active, have less impact on the

credit risk. About 9% (2014: 11%) of the Group's revenues are realised through sales transactions with the Dutch Education Executive Agency (DUO).

As part of the credit policy used by the business units, the individual creditworthiness of each new customer is assessed before standard payment and delivery conditions are offered to the customer. In the case of contract extensions, figures from the business unit's own experience are also used in assessing the customer's creditworthiness. In the assessment of the credit risk, customers are divided into groups based on credit characteristics, including government, companies, private individuals and customers with possible financial problems in the past. Deliveries to customers with a high risk profile are only made after approval by the Executive Board. Business has been conducted with the majority of customers for many years, with only occasional (non-material) losses having been incurred.

The Group has formed a provision for impairment for the amount of the estimated losses from trade and other receivables. The most important elements of this provision are a specific loss provision for significant individual positions and a group loss provision for groups of comparable assets concerning losses that have been incurred but not yet identified. The group loss provision is determined on the basis of historic payment data for comparable financial assets.

The ageing of trade receivables as at the reporting date was as follows:

(in millions of euros)	31 December 2015		31 December 2014	
	Gross	Provided for	Gross	Provided for
Not past due	170	-	151	-
Past due 0-30 days	29	-	7	-
Past due 31-120 days	6	1	9	1
Past due 121-180 days	11	2	7	1
Past due 181-360 days	10	1	3	1
Past due more than one year	9	4	13	5
<b>Total</b>	<b>235</b>	<b>8</b>	<b>190</b>	<b>8</b>

#### Impairment losses

The movement in the provision for impairments of trade receivables during the year was as follows:

(in millions of euros)	2015	2014
<b>Balance as at 1 January</b>	<b>8</b>	<b>8</b>
Additions	3	4
Use	-2	-3
Release	-1	-1
<b>Balance as at 31 December</b>	<b>8</b>	<b>8</b>

Provisions relating to debtors are made in the case of an impairment, unless the Group is certain that it will not be possible to recover the sum owed. In that case, the amount is considered irrecoverable and is written off directly against the financial asset.

#### Liquidity risk

The liquidity risk is the risk that the Group will have difficulty meeting its financial obligations that need to be settled using cash or other financial assets. The principles underlying liquidity risk management are that sufficient liquid assets must be retained, as far as possible, to be able to meet the current and future financial obligations in the short term, under normal and difficult circumstances, without any unacceptable losses being sustained or the Group's reputation being jeopardised. The risk that the Group cannot meet its financial obligations is limited as the Group has sufficient cash or assets that can be swiftly cashed in. In addition, the Group has a committed credit facility at its disposal through which €345 million can be

withdrawn and with a term up to 2020, as well as a project credit facility for a sum of €300 million.

At the end of 2015, the cash and cash equivalents (that is, resources that can quickly be made liquid) comprised €1,600 million (2014: €1,497 million). The contractual financial liabilities due within one year are €1,199 million (2014: €599 million).

The Group manages the cash and cash equivalents on the basis of regular cash forecasts using a bottom-up approach. On the basis of this forecast, financing limits are set for the business units that are clients of the In-House Bank of Corporate Treasury. The bank monitors these limits and they cannot be exceeded unless authorisation has been obtained. This gives Corporate Treasury an early warning system. The cash forecast, together with the financing limits mentioned above, enables Corporate Treasury to manage the cash and cash equivalents by lending and withdrawing funds.

The following table shows the contractual maturities of the financial liabilities, including the estimated interest payments. The sums are gross amounts and have not been converted to present values.

(in millions of euros)

31 December 2014	Carrying amount	Contractual cash flows	< 6mth.	6-12 mth.	1-2 yr.	2-5 yr.	> 5 yr.
<b>Non-derivative financial liabilities</b>							
Private loans	781	853	27	26	449	194	157
Finance lease liabilities	91	92	8	8	17	39	20
Trade and other payables	523	526	526	-	-	-	-
<b>Trade and other payables</b>							
Interest rate swaps used for cash flow hedging	30	22	2	2	3	15	-
Interest rate swaps used for fair value hedging	-	-	-	-	-	-	-
Commodity derivatives	25	25	4	5	6	9	1
<b>Total</b>	<b>1,450</b>	<b>1,518</b>	<b>567</b>	<b>41</b>	<b>475</b>	<b>257</b>	<b>178</b>

31 December 2015

<b>Non-derivative financial liabilities</b>							
Private loans	793	797	56	398	85	174	84
Finance lease liabilities	77	78	9	9	23	21	16
Trade and other payables	691	691	691	-	-	-	-
<b>Trade and other payables</b>							
Interest rate swaps used for cash flow hedging	17	17	8	9	-	-	-
Interest rate swaps used for fair value hedging	-	-	-	-	-	-	-
Commodity derivatives	41	41	9	8	10	14	-
<b>Total</b>	<b>1,619</b>	<b>1,624</b>	<b>773</b>	<b>424</b>	<b>118</b>	<b>209</b>	<b>100</b>

The above items have been netted off, because the contract requires the hedging transactions to be netted on settlement. When calculating the future cash flows, it is assumed that the future variable interest rates are identical to the last known variable interest rates.

As regards the risks relating to capital, the Group has an agreed dividend policy with the shareholder.

### Insurance risks

As part of the operational activities, the Group is exposed to risks against which insurance can be taken out. Risks beyond the scope of the business units are managed by the subsidiary NS Insurance. This refers to the risk of claims due to collisions, fire, accident and liability. The maximum size of these claims

are calculated by external specialists once every three years, or more often if changed circumstances make this necessary. The subsidiary, NS Insurance, insures the above risks for the business units. It does not insure third parties. If the total claim burden in any year exceeds NS Insurance's own internal cover, the additional cover required is provided by reinsurance. The Group's normal loss claims are paid from the premium income and investment income of NS Insurance. If the claims are higher than regular claims, but less than the NS Insurance's internal cover, these are paid from the freely distributable reserve of NS Insurance, if this is sufficient.

NS Insurance is reinsured by means of stop-loss reinsurance contracts. MPL (maximum possible loss) studies are carried out regularly to prevent underinsurance situations. Provided mar-

ket conditions allow, NS Insurance only takes out reinsurance with parties that have at least an A+ rating and a stable outlook. If the rating drops below A-, it has the option of cancelling the reinsurance agreement. This has as yet never happened. The reinsurers of NS Insurance have ratings of at least A as at the end of 2015.

NS Insurance is an insurance company that is supervised by De Nederlandsche Bank and the Netherlands Authority for the Financial Markets (AFM). The desired scale of the free reserves to be retained is linked to the solvency margin demanded by De Nederlandsche Bank, as is customary in the insurance sector. In the insurance market - for industry and elsewhere - it is normal for free reserves to be retained that are a factor of 3 greater than the solvency margin. For 2015, a solvency margin is required of approximately €4 million. For NS Insurance, this means that a free reserve of €12 million is sufficient. NS Insurance meets this requirement comfortably. NS Insurance is fully consolidated in the Group figures.

#### **Risks deriving from so-called 'cross-border lease transactions'**

Up until 1998, the Group entered into cross-border lease transactions with the object of reducing financing costs. These cross-border leases relate only to rolling stock. Economic ownership remains with the Group, so the assets concerned are included on the balance sheet. The book value of rolling stock financed by cross-border leases was €120 million at year-end 2015 (2014: €135 million). The financial benefit from the cross-border leases has been deducted from the financing costs, spread over the terms of the transactions concerned in the income statement. The financial benefit associated with these leases and not yet amortised, which amounted to

€1.5 million at year-end 2015, has been recognised in the balance sheet as deferred credits and split into a current part of €0.8 million and a non-current part of €0.7 million. A sum of €11 million has been provided for the financial risks deriving from dissolution of cross-border lease transactions. Measured against the realistic risk, the Group believes the that provision amount to be sufficient. A proportion of the positions involved in these leases are off balance sheet positions. The currency risk in these contracts is covered, unforeseen risks notwithstanding.

#### **Fair value**

##### *Fair value versus book value*

The book values of the financial assets and liabilities recognised in the balance sheet are the same as the fair values.

##### *Determining the value of investments included under the financial assets*

The calculation of the market price assumes that the book value is the same as the market value for deposits with a term that ends within one year. For bonds, the fair value is calculated using the available current market prices/closing prices.

##### *Valuation of derivatives*

When determining the value of interest rate swaps and currency derivatives, the Group uses valuation methods in which all the significant items of information required are derived from visible market data (Level 2).

The valuation of the HTM option (see note 15) is based on data that is in turn based on market data that is not observable (non-observable input, Level 3).

## **30. Events after the balance sheet date**

A claim was received in 2016 from a supplier, relating to the tendering process for purchasing rolling stock in the past. The consequences for this claim are being investigated, although it is not expected that it will have any negative financial consequences of material significance.



## 31. Related parties

The transactions with related parties are done on an arm's-length basis.

All issued shares are held by the State of the Netherlands. One significant transaction with an enterprise that has a relationship with the State (DUO, the Dutch Education Executive Agency) is the remuneration received for student railcards (2015: €459 million, 2014: €439 million).

Furthermore, the Group received a sum of €30 million in grants from the State in 2015 through various schemes (2014: €37 million). Of these grants, €29 million (€35 million in 2014) was recognised as 'Other revenue' and €1 million (€2 million in 2014) was deducted from the related costs.

The following transactions took place with ProRail BV, an enterprise with links to the State:

- The payment of the access charges for the rail infrastructure in the Netherlands. This is explained under note 7;

- For the financial of commercial facilities in New Key Projects (Nieuwe Sleutel Projecten) at stations, €11 million was agreed to be paid to ProRail BV as at 31 December 2015 (€28 million as at 31 December 2014). In 2015, €19 million (2014: €66 million) was paid to ProRail BV.

The transactions with the Executive Board and the Supervisory Board members are explained under note 2.

There were no significant transactions in 2015 and 2014 with joint ventures and other participating interests.

The Group has a 5.8% participating interest in Eurofima. Eurofima is a European company that was set up for financing railway rolling stock. It is a supranational organisation that is headquartered in Basel, Switzerland. The following transactions and balance sheet positions apply for this party:

(in millions of euros)	2015	2014
Interest expenses	1	2
	31 December 2015	31 December 2014
Private loans	449	449

## Group companies

The main companies included in the consolidated financial statements are:

	Percentage interest		Statutory Seat
	2015	2014	
<b>Operating companies</b>			
NS Reizigers BV*	100.0	100.0	Utrecht
Abellio Transport Holding BV	100.0	100.0	Utrecht
NedTrain BV*	100.0	100.0	Utrecht
NS Financial Services (Holdings) Ltd	100.0	100.0	Dublin
NS Stations BV*	100.0	100.0	Utrecht
NS Vastgoed BV*	100.0	100.0	Utrecht
NS Insurance NV	100.0	100.0	Utrecht
NS Opleidingen BV*	100.0	100.0	Utrecht
NS Spooransluitingen BV**	0.0	100.0	Utrecht
NS Lease BV*	100.0	100.0	Utrecht
<b>Subsidiaries of operating companies</b>			
Thalys Nederland NV*	100.0	100.0	Utrecht
HSA Beheer NV***	0.0	95.0	Rotterdam
NS Internationaal BV*	100.0	100.0	Utrecht
NedTrain Ematech BV	100.0	100.0	Utrecht
NS Stations Retailbedrijf BV*	100.0	100.0	Utrecht
NS Fiets BV	100.0	100.0	Utrecht
NS-OV Fiets BV	100.0	100.0	Utrecht
Qbuzz BV	100.0	100.0	Amersfoort
Stationsfoodstore BV*	100.0	100.0	Utrecht
NS Poort Ontwikkeling BV	100.0	100.0	Utrecht
NS Financial Services Company	100.0	100.0	Dublin
Abellio Nederland BV	100.0	100.0	Utrecht
Abellio Transport Group Ltd	100.0	-	Glasgow
Abellio Transport Holdings Ltd	100.0	100.0	London
Abellio Greater Anglia Ltd	100.0	100.0	London
Abellio GmbH	100.0	100.0	Essen
Abellio ScotRail Ltd	100.0	100.0	Glasgow
Abellio West London Ltd	100.0	100.0	London
Abellio London Ltd	100.0	100.0	London
<b>Joint ventures</b>			
The Group has interest in the following joint ventures:			
Stationslocaties OG CV	55.8	55.8	Utrecht
Basisfonds Stationslocaties CV	50.9	50.9	Utrecht
Merseyrail Services Holding Company Ltd	50.0	50.0	Hampshire
Northern Rail Holdings Ltd	50.0	50.0	Hampshire
Trans Link Systems BV	0.0	68.8	Amersfoort
<b>Joint operations</b>			
Stationsdrogisterijen CV	50.0	50.0	Zaandam
Waterkant CV	0.0	51.0	Amsterdam
<b>Other interests</b>			
Eurofima	5.8	5.8	Basel

\* Pursuant to the provisions of Section 403, Book 2 of the Dutch Civil Code, NS Groep NV has assumed liability in respect of the debts arising from legal acts.

\*\* NS Spooransluitingen was disposed of as of 1 July 2015.

\*\*\* HSA Beheer NV was liquidated as of 25 May 2015.

Pursuant to Sections 379 and 414, Book 2 of the Dutch Civil Code, a complete list of the Group's subsidiaries, associates and joint ventures has been filed with the office of the Trade Register in Utrecht.

## 32. Significant accounting policies

The section below gives details of the important accounting policies used for consolidation, valuation of assets and liabilities, and determining the Group's result.

These principles have been applied consistently for all the periods presented in these consolidated financial statements, unless otherwise indicated.

Pursuant to Section 402, Part 9, Book 2 of the Dutch Civil Code, an abridged income statement is included in the company financial statements of NV Nederlandse Spoorwegen.

The financial statements are presented in euros (the functional currency), rounded to the nearest million. The financial statements have been prepared on the basis of historical cost, unless reported differently. The figures for the previous year have been adjusted in order to make comparison possible.

The Group has applied the accounting policies for financial reporting as explained below consistently for 2015 in these consolidated financial statements.

As of 1 January 2015, the Group has adopted the following new standards and amendments to standards, including all consequent changes deriving from them in other standards. These new standards have not resulted in changes in the way the accounting policies are applied.

- Defined benefit plan: Employees' contributions (changes to IAS 19)
- Annual IFRS improvement cycle 2010-2012
- Annual IFRS improvement cycle 2011-2013

### **New standards and amendments to standards that are mandatory from 2016 or later**

The Group has not voluntarily opted for the early adoption of any new standards or amendments to existing standards or interpretations that are only mandatory with effect from the financial statements for 2016 or later.

The Group is currently investigating the consequences of the following new standards, interpretations and amendments to existing standards, the application of which is mandatory with

effect from the financial statements for 2016, or later where specified:

#### *IFRS 9 Financial instruments*

IFRS 9, published in July 2015, replaces the current regulations of IAS 39, Financial instruments: Inclusion and Valuation. IFRS 9 contains revised regulations relating to the classification and valuation of financial instruments, including a new anticipated credit loss model for calculating impairments of financial assets, plus new general hedge accounting requirements. The stipulations of IAS 39 relating to including and dropping financial instruments have been taken on board in the new guideline. IFRS 9 is coming into effect for financial years starting on or after 1 January 2018, with the option of implementing the guideline earlier than that. The Group is analysing the potential impact on the consolidated financial statements as a result of the application of IFRS 9. This guideline has not yet been approved by the EU.

#### *IFRS 15 Revenue from contracts with clients*

IFRS 15 defines an all-embracing framework for determining whether, to what extent and when revenues have to be included. It replaces the existing regulations relating to the recognition of revenue, including *IAS 18 Revenue*, *IAS 11 Construction Contracts* and *IFRIC 13 Customer Loyalty Programmes*.

IFRS 15 is coming into effect for financial years starting on or after 1 January 2018, with the option of implementing the guideline earlier than that. The Group is analysing the potential impact on the consolidated financial statements as a result of the application of IFRS 15. This guideline has not yet been approved by the EU.

#### *IFRS 16 Leases*

A new guideline IFRS 16 (Leases) was published on 13 January 2016. Applying this guideline is mandatory as of 1 January 2019. The way lease contracts are dealt with in the accounts will change fundamentally. IFRS 16 eliminates the current recognition method, in which a distinction is made between financial leasing (on balance) and operational leasing (off balance). Instead of that, there will be a single model for recognition, comparable to the current financial lease accounting.

Over the next little while, the Group will be assessing the impact of the new guideline. It is expected that this guideline will have a major impact on the Group's balance sheet. This guideline has not yet been approved by the EU.

#### *Other*

The following new or amended standards have no significant impact on the consolidated financial statements of the Group:

- IFRS 14 *Regulatory deferral accounts*
- Processing the acquisition of interests in joint operations (amendment to IFRS 11)
- Clarification of accepted methods for depreciation and amortisation (amendments to IAS 16 and IAS 38)
- Equity method in company financial statements (amendment to IAS 27)
- Sale or contribution to assets between an investor and its participating interests or a joint venture (amendments to IFRS 10 and IFRS 28).
- Annual IFRS improvement cycles 2012-2014
- Investment entities: Application of the consolidated exceptions (amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure initiative (amendments to IAS 1)

#### **Estimates and assessments**

The preparation of the financial statements requires the Executive Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, and income and expenses. The estimates and corresponding assumptions are based on experiences from the past and various other factors that could be considered reasonable under the circumstances. The actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions of estimates are recognised in the period in which the estimate is revised or in future periods if the revision has consequences for these periods.

The key estimates and evaluations involve (largely) estimates of provisions/claims relating to irregularities, valuation of deferred tax receivables and recognition of the main rail network adjustment mechanisms.

The accounting policies described below have been applied

consistently to the periods presented in these consolidated financial statements.

#### **Principles of consolidation**

##### *Subsidiaries*

The Group has control over an entity if its involvement with that entity means that the Group is exposed to or is entitled to variable returns and that it has the power to influence those returns by virtue of its say in that entity. The financial statements of the subsidiaries are incorporated in the consolidated financial statements as from the date on which control commences until the date on which control ceases.

In the event of a loss of control over the subsidiary, the subsidiary's assets and liabilities, any minority interests and other equity components associated with the subsidiary are no longer recognised in the balance sheet. Any excess or shortfall is included in the income statement. If the Group maintains an interest in the former subsidiary, that interest is recognised at the fair value on the date on which the Group ceased to exercise control.

*Interests in investments are recognised according to the equity method.*

The Group's interests in investments accounted for using the equity method consist of interests in associates and joint ventures.

Associates are entities in which the Group has significant influence on the financial and operational policy, but which it does not control. A joint venture is an agreement whereby the Group has a share of the control and in which the Group has rights with respect to the net assets of the venture rather than rights with respect to the (gross) assets and obligations with respect to the liabilities.

Associates and joint ventures over which control is exercised jointly are accounted for using the equity method and valued at cost price upon initial recognition. The cost price of the investment includes the transaction costs. Subsequent to initial recognition, the consolidated financial statements contain the Group's share in the realised and unrealised results of the investments, accounted for according to the equity method,

through to the date on which the significant influence ceases.

#### *Acquisition of subsidiaries, joint ventures and associates*

Business combinations are recognised according to the acquisition method as at the date on which control is transferred to the Group. The remuneration for the acquisition is generally assessed at its fair value, as are the net identifiable assets that are acquired. Any goodwill deriving from this is assessed annually for impairments. Any recognised gain from a beneficial sale will be recognised directly in the income statement. Transaction costs are recognised at the time when they are incurred.

#### *Elimination of transactions on consolidation*

Intra-group balances and transactions plus any unrealised gains and losses on transactions within the Group or income and expenses from similar transactions are eliminated. Unrealised gains and losses arising from transactions with investments that are recognised according to the equity method are eliminated in proportion to the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised profits, but only insofar as there are no indications that they should be treated as an impairment.

### **Currency translation**

#### *Foreign currency transactions*

Transactions denominated in foreign currency are translated to the respective functional currency of the Group entities at the exchange rate applying on the transaction date. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate applying on the balance sheet date. Non-monetary assets denominated in foreign currencies and liabilities that are assessed at fair value are converted to the functional currency using the exchange rates that applied on the dates when the fair values were determined. Non-monetary assets denominated in foreign currencies and liabilities that are assessed using historical costs will not be recalculated.

The exchange rate differences on monetary items concern the difference between the amortised costs in the functional currency at the start of the period, adjusted for effective interest and payments during the period, and the amortised costs in foreign currency translated at the exchange rate at the end of

the period. Exchange rate differences arising when the following items are converted are recognised in the unrealised results:

- financial liabilities that are designated as a hedge of the net investment in a foreign operation
- qualifying cash flow hedges, insofar as the hedging is effective

#### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at the exchange rates applying at the reporting date. The revenues and costs of foreign operations are converted into euros at an average exchange rate that approximates to the exchange rate on the transaction date.

Currency conversion differences are included in the unrealised results and recognised in the reserve for foreign exchange differences. If the sale of a foreign activity means that the Group loses control, significant influence or joint control, then the cumulative amount from the foreign exchange differences reserve associated with that foreign activity will be transferred to the income statement when the profit or loss from the sale is recognised. If the Group only sells part of its interest in a subsidiary, while retaining control, then a proportionate share of the cumulative amount will be reassigned to the minority holding. If the Group only sells part of its interest in an associate or joint venture, while retaining significant influence or joint control, then a proportionate share of the cumulative amount will be transferred to the income statement.

### **Property, plant and equipment**

Property, plant and equipment are measured at cost, less cumulative depreciation and cumulative impairment losses. The cost of self-produced assets includes the cost of materials, direct labour costs, a reasonable portion of the indirect production costs, and - if relevant - the estimated costs of dismantling and removing the asset and the costs of restoring the site where the asset was located.

Computer software that is an integral part of the computer equipment is capitalised as part of the equipment in question. Assets of which the Group is merely the economic owner are



accounted for in the balance sheet.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the book value of the asset and are recognised net within 'Other revenue' in the income statement.

### Investment property

Investment property includes property held in order to earn rental income or an appreciation in value, or both. Investment property is measured at cost, less cumulative depreciation and cumulative impairment losses. The cost of self-produced assets includes the cost of materials, direct labour costs, a reasonable portion of the indirect production costs, and - if relevant - the estimated costs of dismantling and removing the asset and the costs of restoring the site where the asset was located.

The following policies apply equally to property, plant and equipment and to investment property.

### Components

If property, plant and equipment or investment property consist of categories with differing economic lives, these categories

are listed separately under property, plant and equipment or investment property.

The book value of property, plant and equipment or investment property is adjusted for the cost of replacing all or part of that asset when such costs are incurred and if it is likely that the replacement will deliver future economic benefits. All other costs of maintaining the asset are charged to the income statement as and when they are incurred.

### Depreciation/amortisation/impairment

Depreciation of property, plant and equipment is linear, after deducting the residual value, based on the estimated operational lifespan of each individual item of property, plant and equipment. Depreciation is charged to the income statement.

Except where it is reasonably certain that the Group will be taking over the ownership of a leased asset at the end of the lease period, leased assets are depreciated over the period of the leasing agreement or the operational lifespan (whichever is the shorter). Land is not depreciated with the exception of paving. The estimated economic service life for property, plant and equipment is as follows:

Asset type	Depreciation terms
Buildings	broken down into components (15 to 100 years)
Other fixed plant	10 to 25 years
Trains	20 years
Buses	6 to 15 years
Plant and equipments	3 to 10 years
And for investment property:	
Foundations and underlying land	100 years
Structure and core	50 years
Facades and outer walls	33 years
Roofing	15 years
Interior finish	15 years
Technical equipment	15 years

The indicated service life is an average for the assets concerned and for the components of which the assets are made up.

The depreciation method, remaining useful life and residual value are assessed each year.

If a change in use causes an item of property, plant and equipment to be treated as investment property or if an investment property is intended for the company's own use, it is transferred to investment property or property, plant and equipment respectively. Because the valuation of both categories of fixed assets is the same, they are transferred at the book value.

## Intangible non-current assets

### *Goodwill*

All business combinations are accounted for using the acquisition method. Goodwill is the sum deriving from the acquisition of subsidiaries, associates and joint ventures. Goodwill equals the difference between the cost of the acquisition and the fair value of the identifiable assets and liabilities on the date on which they are acquired. Goodwill is carried at cost less impairment.

Negative goodwill from an acquisition is taken directly to the statement of income.

### *Other intangible non-current assets.*

Other intangible non-current assets with a limited lifespan acquired or produced by the Group are recognised in the balance sheet at cost less cumulative amortisation and cumulative impairment.

Subsequent to initial recognition, expenditure on capitalised intangible fixed assets is only capitalised when this causes an increase in the future economic rewards associated with the specific asset involved. All other expenditure, including internally generated goodwill and trademarks, is charged to the statement of income when it is incurred.

Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives of the intangible assets, with the exception of goodwill, from the date on which they become available for use. The estimated useful economic lives are as follows:

Software	5 - 8 years
Contracts	5 - 10 years

## Inventories

Inventories are stated at the lower of cost and the net realisable value. The net realisable value is the estimated sales price in the normal conduct of business, less the estimated cost of completion and the cost of sales.

The cost of the inventories is based on the average purchase price or cost price and includes expenditure incurred in acquiring the inventories and the associated costs of purchase. The cost of inventories of finished goods and work in progress includes a reasonable portion of the indirect costs based on normal production capacity.

## Projects in progress commissioned by third parties

Projects in progress commissioned by third parties (construction contracts) are carried at cost plus profit as at the balance sheet date, less a provision for anticipated losses and less invoiced instalments pro rata to the progress of the project. The cost encompasses all expenditure relating directly to specific projects and an attributable portion of the fixed and variable indirect costs incurred in connection with the contract activities, based on normal production capacity.

A receivable is created if the amount of the expenses incurred (including the recognised result) exceeds the amount of the invoiced instalments. If the amount of the costs incurred (including the result recognised) is less than the invoiced instalments, the item is classed as a liability.

## Financial instruments

On initial recognition, loans, receivables and deposits included by the Group from the date on which they first arose. All other financial assets are first included on the transaction date. The Group ceases recognition of a financial asset in the balance sheet once the contractual rights to the cash flows from the asset expire, or if the Group transfers the contractual rights to the cash flows from the financial asset by means of a transaction in which virtually all risks and benefits associated with ownership of the asset are transferred.

The Group ceases recognition of a financial asset in the balance sheet once the contractual rights to the cash flows from the asset expire, or if the Group transfers the contractual rights to the cash flows from the financial asset by means of a transaction in which virtually all risks and benefits associated with ownership of the asset are transferred, or whereby virtually all risks and benefits associated with ownership of the asset are neither transferred nor retained and control of the asset transferred is not retained either. If the Group retains or creates an interests in the financial assets being transferred, then that interest is included as a separate asset or liability.

The Group ceases recognition of a financial liability in the balance sheet once the contractual obligations have been fulfilled or cancelled or have expired.

Financial assets and liabilities are included as net values, and the resulting net amount is presented on the balance sheet

only if the Group has a legally enforceable entitlement to that net value and if it intends to show the balance as a net item or to realise the asset and the liability simultaneously.

The Group uses the following financial instruments:

### **Non-derivative financial instruments**

Non-derivative financial instruments include investments in equity securities, deposits and bonds, trade and other receivables, cash and cash equivalents, loans and other financial liabilities, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

#### *Held-to-maturity financial assets*

If the Group has the positive intent and ability to hold financial assets to maturity, they are measured at amortised cost plus any directly attributable transaction charges, using the effective interest method, less any impairment losses.

#### *Available-for-sale financial assets*

The Group's investments in certain bonds and deposits are classified as available-for-sale financial assets. Subsequent to initial recognition, these assets are measured at fair value, and any changes in the fair value, other than impairment losses and exchange rate gains and losses on available-for-sale monetary items, are recognised directly in equity via the comprehensive income. Attributable transaction costs are included in the income statement as a charge at the moment when they are incurred. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. If no information is available for determining the fair value, the assets will be valued at cost price.

#### *Other non-derivative financial instruments*

These instruments are valued at fair value (plus any directly attributable transaction costs) when first recognised. Subsequent to initial recognition, loans and receivables are valued at an amortised cost price using the effective interest method.

### **Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate or commodity risks. Derivative financial instruments are valued on initial recognition at fair value, which is the same as the cost price applicable at the time. Attributable transaction costs are included in the income statement as a charge at the moment when they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes are accounted for as described below.

On initial recognition in the financial statements, Derivatives are measured at the fair value on the date on which the derivative contract is signed and thereafter at the fair value at each reporting moment. Attributable transaction costs are included in the income statement as a charge at the moment when they are incurred.

#### *Hedge accounting*

The accounting method in the result depends on the question of whether hedge accounting is used and if so, whether the hedging relationship is effective. If the hedging relationship is effective, then hedge accounting is used for these derivatives. When a hedging transaction is entered into, the hedging relationship is documented. Checks are made regularly to see if the hedging transaction has been effective over the period just completed and whether it is expected that the hedging transaction will be effective over the coming period. If the hedging instrument expires, is sold, terminated or exercised or no longer complies with the criteria that allow hedge accounting to be applied, then its application will be halted immediately.

#### *Cash-flow hedges*

If a derivative financial instrument is designated as a hedge for fluctuations in cash flows ensuing from a certain risk associated with a recognised asset or liability, or because an extremely likely expected transaction could affect the profit or loss, then the effective portion of the changes in the fair value of the derivative financial instrument is recognised in the unrealised results and presented in equity in the hedging reserve. Any ineffective portion of the changes in the fair value of the derivative financial instrument is recognised directly in the income statement. The accrued amount is transferred to the

income statement in the same period in which the hedged position affects the income statement.

#### *Fair value of hedges*

Changes in the fair value of a derivative hedging instrument that is designated a fair-value hedge are charged or credited to the income statement together with the changes in the fair value of the (group of) assets and liabilities insofar as they are attributable to the hedged risk.

If a hedge instrument no longer qualifies for hedge accounting, expires or is sold, then hedge accounting is discontinued prospectively. The cumulative profit or cumulative loss that was previously recognised in equity remains part of the equity until the expected transaction has taken place. The amount recognised in equity is transferred to the income statement (with the net change in the fair value of the cash-flow hedges transferred from equity) in the same period in which the hedging instrument affects the income statement.

#### *Economic hedges*

Hedge accounting is not applied to derivative instruments that are used as economic hedges of assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of the exchange rate gains and losses.

#### *Hedging energy costs*

The Group uses 'accrual accounting' for commodity derivatives intended for its own use, claiming the exception allowed by IAS 39.5, insofar as the stipulations of IAS 39.5 are met. This is applicable to purchases of diesel and fuel oil and energy in the Netherlands and is explained in the risks section and in 'Off balance sheet liabilities'. The other commodity derivatives that do not meet the criterion of being intended for the Group's own use are valued at fair value and hedge accounting is used where possible.

### **Impairments**

#### *Financial assets*

Financial assets are assessed at each reporting date to determine whether there is objective evidence of any impairment. A financial asset is considered to be impaired if there is objective

evidence indicating that one or more events has had a negative effect on the projected future cash flows of that asset.

An impairment loss for a financial asset carried at amortised cost is calculated as the difference between the book value and the present value of the projected future cash flows, discounted at the original effective interest rate. Any impairment loss on an available-for-sale financial asset is calculated using the fair value.

Significant financial assets are individually tested for impairment. The remaining financial assets are grouped into comparable credit risk classes and assessed collectively.

All impairment losses are charged to the statement of income. Any cumulative loss on an available-for-sale financial asset that was recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised as income in the income statement.

#### *Non-financial assets*

The book value of the Group's non-financial assets, except for inventories and deferred tax receivables, are reviewed at each reporting date to determine whether there is any indication of impairment. If there are such indications, an estimate is made of the recoverable amount of the asset in question. For goodwill and intangible fixed assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash generating unit equals the higher of the value in use and the fair value net of selling costs. In assessing the value in use, the present value of the estimated future pre-tax cash flows is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the

'cash-generating unit'). For the purpose of impairment assessments, the goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the book value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of cash-generating units are first deducted from the book value of any goodwill allocated to units, and then deducted from the book value of the other assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's book value does not exceed the book value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **Equity**

Dividends are included in the period over which the appropriation of profits is decided upon and the dividends are declared.

### **Deferred credits**

These credits relate to amounts received in one go under agreements with terms extending to future years. The proceeds are credited to the income statement over the term of the agreements to which they relate. The proceeds are measured at amortised cost.

### **Employee benefits**

Employee benefits includes pension liabilities for pension plans and other obligations relating to employee benefits, consisting of long-service awards, early retirement payments and obligations due to employees' occupational disability.

Defined contribution plans are plans under which the Group

has no obligations other than to pay the contractual contributions. These contributions are included in the income statement in the period for which the contribution is payable.

Defined benefit plans are those in which the Group's obligations extend beyond payment of the mandatory, contractually agreed contribution to pension funds or insurance companies. The Group's net liability is determined individually for each plan by estimating the pension benefits that employees have accrued in the reporting period and the preceding years. The net present value of these pension benefits is determined, netted off against the fair value of the pension assets. The discount rate is the interest rate as at the balance sheet date for high-value fixed income securities for which the maturity period is approximately the same as that of the pension liabilities. The calculation takes account of elements such as future wage increases resulting from general developments in wage levels and career opportunities, inflation, and current life expectancies. The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognised asset cannot exceed the net value of any unrecognised past service pension costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The employee's part is deducted from the liability.

The pension liabilities relating to parts of the group that are established in the UK have been included for the period during which the transport concessions operate.

The change in pension liabilities and investment returns anticipated at the start of the year, based on the actuarial calculations, is included as a change in the net liabilities and in the income statement. Contributions paid by employers and employees are deducted from the net liabilities. The actuarial gains and losses, which comprise the difference between the actual and anticipated changes in the pension liabilities and investment returns, are recognised in equity.

Obligations relating to long-service awards and early retirement are calculated actuarially and carried at net present value. This takes account of developments in wages and prices, recent mortality tables and estimates of the employment duration. Any actuarial gains or losses are recognised in the



statement of income in the period in which they occur. The obligations due to occupational disability are determined in a similar fashion.

#### *Short-term employee benefits*

Any entitlements to time off that have not been taken are turned into cash values, taking account of future salary increases.

Other short-term employee benefits are valued without being converted into the present values and recognised when the service associated with them is rendered.

### **Provisions**

A provision is recognised in the balance sheet whenever the Group has a legally enforceable or de facto liability as a consequence of a past event and it is probable that the settlement of that liability will entail an outflow of funds.

Provisions are determined by calculating the net present value of expected future cash flows based on a pre-tax discount rate that reflects both the current market valuations of the time value of money and, where necessary, the specific risks relating to the commitment.

#### *Reorganisation costs and non-activity arrangements*

Provisions are made in connection with restructurings if a formal, detailed plan has been drawn up for the reorganisation, and the reorganisation is either under way or has been announced. No provision is made for future operating expenses. Provisions for reorganisations relate mainly to redundancy schemes, bridging payments and the redeployment of redundant staff.

#### *Provision for soil remediation*

The provision for soil remediation work is intended to cover the costs incurred for the upkeep or repair of operational resources. In line with the Group's published environmental policy and the applicable legal requirements, provisions for the control and remediation of environmental contamination are formed when the pollution occurs or when it is discovered to have occurred.

#### *Onerous contracts*

A provision for onerous contracts is included in the balance sheet if the financial benefits that the Group expects to derive from a contract are less than the unavoidable costs of satisfying the contractual commitments.

The provision is accounted for at the present value of the anticipated net costs for continuation of the contract or, where this is lower, the present value of the anticipated costs for termination, being any compensation or fine entailed by the breach of contract. Before the provision is formed, an impairment loss is applied to the assets to which the contract relates.

#### *Other provisions*

Provisions are formed for losses arising from fire, accidents, guarantees issued, claims and other risks.

#### *Leases*

Assets where the company or its subsidiaries have beneficial ownership by virtue of a lease agreement are classified as financial leases. The company or its subsidiaries have beneficial ownership if almost all the risks and benefits associated with ownership have been transferred to it. Contracts where the beneficial ownership is in the hands of third parties are classified as operating leases. The substance according to IFRS is the determining factor in the classification of lease agreements as operating or financial leases (rather than the legal form of the contract).

### **Revenues**

Revenue covers revenue from passenger services and from other activities, less discounts and turnover tax.

#### *Services rendered and goods sold*

Revenue from services rendered is accounted for in the income statement in the period in which the services are rendered. For delivery contracts that extend beyond the balance sheet date, calculation of the revenue is attributed to the individual years in proportion to the stage of completion of the transaction on the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from the sale of goods is processed in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer, collection of the

amount payable is likely, the associated costs or return of goods, where applicable, can be estimated reliably and when the management has no ongoing involvement in the goods and the scale of the revenues can be estimated reliably.

Payments from the government under passenger transport agreements or transport concessions are recognised in the income statement in the period to which the payment relates.

#### *Work in progress commissioned by third parties*

Contractual revenue and expenses arising from projects in progress commissioned by third parties are accounted for in the income statement in proportion to the stage of completion of the project. The stage of completion is determined by ascertaining the costs of the work done in relation to total expected cost. As soon as the result can be reliably estimated, a proportional part of the profit is credited to the income statement. Expected losses on projects are immediately accounted for, in full, in the income statement.

#### *Rental income*

Rental income from investment property is credited to the income statement on a straight-line basis over the duration of the rental agreement. The costs of undertakings given to encourage tenants to enter into leases are accounted for as an integral component of total rental income.

#### **Other revenue**

This item includes incidental revenue and coverage by third parties of the costs of sideline activities and other activities that are not part of the company's operating activities. The difference between the sales value and the book value of items of property, plant and equipment that have been sold is also recognised under 'Other revenue'.

#### **Operating expenses**

Operating expenses are assigned to the year to which they relate or in which the goods and services are delivered to customers.

#### **Adjustment mechanisms for the main rail network concession**

The implementation agreement with the Ministry of Infrastructure and the Environment includes a number of adjustment

mechanisms for determining the concession price. The adjustments that are related to the average profitability during the term of the concession and to developments in energy prices are recognised as results when the adjustment becomes applicable (according to the calculation method used, as defined in the implementation agreement), rather than being included linearly over the term of the concession. Other (one-off) payments relating to the agreements are accounted for on a straight-line basis over the term of the concession.

#### **Capitalised production for own use**

The capitalised production for own use comprises the directly attributable personnel expenses and costs of materials used in the construction of assets for own use. This is mainly for the overhaul of trains.

#### **Finance income and finance expenses**

Finance income includes the interest income from monies invested, including that for financial assets available for sale, leasing income, gains from the sale of financial assets available for sale, and gains from the hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Dividend income is recognised in the income statement when the right to the dividend payment occurs.

Finance expenses include the interest expenses on borrowed monies, lease contracts, accrued interest on provisions and losses on hedging instruments that are recognised in the income statement. All finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are included in the income statement using the effective interest method. No financing costs were capitalised in 2014 or 2015.

Financial benefits released from cross-border leasing agreements are deducted from the interest charges. Exchange rate gains or losses are included in the finance income or expenses.

#### **Government grants**

Government grants are recognised if there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. The gov-

ernment grants are deducted from the costs and assets to which they relate.

### **Lease payments**

Payments made under operating leases are recognised as operating expenses in the statement of income on a straight-line basis over the term of the lease.

### **Corporate income tax**

Tax on the profit or loss for the financial year comprises the income tax that is payable or can be offset in the reporting period and deferred income taxes. The income tax is recognised in the income statement, except if it relates to items recognised directly in equity via the comprehensive income, in which case the tax is recognised in equity via the comprehensive income.

All taxes are stated at nominal value.

The tax to be paid or offset for the financial year is the expected tax charge on taxable profit for the financial year, calculated using the tax rates in force on the balance sheet date, and includes adjustments to tax payable for prior years.

For the purpose of income tax, nearly all the subsidiaries belonging to the Group are part of the NS tax group, with the exception of the foreign corporate units.

Deferred tax assets and deferred tax liabilities arise from temporary differences between the book value of assets and liabilities in the financial reporting and the book value for tax purposes. These are calculated on the basis of the tax rates that are expected to apply at the reversal of the temporary differences, using tax rates enacted or substantively enacted as at the balance sheet date.

Deferred tax assets, including those deriving from tax loss carry-forwards, are valued if it is probably that sufficient tax profits will be available for compensating for the losses and if possibilities for offsetting losses can be utilised.

Deferred tax assets and deferred tax liabilities are only netted if there is a formal netting right and the company intends to settle deferred tax positions simultaneously. Deferred tax posi-

tions are stated at nominal value.

### **Determination of fair value**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

#### *Property, plant and equipment*

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The fair value is calculated on the basis of an up-to-date purchase price, or is determined by the historic cost with the aid of index figures to bring it up to the current price level.

#### *Investment property*

The fair value has been determined in an independent and professional manner, using the services of recognised experts, and taking account of the current lease agreements that the Group has entered into on a commercial, objective basis and that are comparable to agreements for similar investment property at the same location. For the valuation of the property, the annual net rentals are discounted using a factor that allows for the specific risks inherent in the net cash flows. The factor is based on 10% per annum (2014: 10%).

The fair value of investment property is only determined for the purpose of the disclosures.

#### *Investments in bonds and deposits*

The fair value of held-to-maturity financial assets and available-for-sale financial assets is determined by reference to their price as at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

#### *Derivatives*

The fair value of derivatives is the estimated sum that the Group would pay or be paid in order to terminate the contract on the balance sheet date, taking account of the current interest rate and current creditworthiness of the counterparties to the contract.

#### *Non-derivative financial liabilities*

The fair value of non-derivative financial liabilities is determined for disclosure purposes and is calculated based on the present value of future repayments and interest payments, discounted at the market interest rate as at the reporting date. For financial leases, the market interest rate is determined by reference to similar lease agreements.

#### **Segmented information**

IFRS does not require the Group to provide segmented information. No segmentation statement has therefore been included in the financial statements. Segmented information has however been included in the notes to the financial statements for a number of items.

The main segmentation basis - business segments - is based on the differing nature of the business activities, the management structure and the internal reporting structure of the Group.

The prices for transactions between the segments and between the business units within the segments are determined according to objective commercial principles.

A segment's revenue and assets concern items that can be attributed to the segment either directly or on the basis of generally accepted criteria.

#### *Business segments*

The Group distinguishes the following business segments:

- Passenger transport, comprising the transport of passengers in the Netherlands on domestic trains and buses and international trains, as well as passenger transport abroad on trains and buses. This also includes the activities that directly support passenger transport, such as the availability and maintenance of rolling stock;
- Station development and operation, comprising the management and development of property and station locations and the operation of commercial premises in and around stations;
- Other, comprising supporting companies, holding company activities and the elimination of inter-company transactions.

The passenger transport segment operates largely in the geographical areas of the Netherlands, Great Britain and Germany. The return and risk profiles do not differ sufficiently to

warrant a secondary segmentation by geographical area.

#### **Accounting policies for the consolidated statement of cash flows**

The statement of cash flows is drawn up using the indirect method, using a comparison between the initial and final balances for the period in question. The result is then adjusted for changes that did not generate income or expenses during the financial year.





# Company financial statements for 2015

## Company balance sheet as at 31 December 2015

### NV Nederlandse Spoorwegen

(before profit appropriation)

(in millions of euros)	31 December 2015	31 December 2014
Non-current financial assets	3,309	3,216
<b>Total assets</b>	<b>3,309</b>	<b>3,216</b>
<b>Equity</b>		
Share capital	1,012	1,012
Other reserves	2,179	2,024
Result for the period	118	180
<b>Total equity and liabilities</b>	<b>3,309</b>	<b>3,216</b>

## Company statement of income 2015

### NV Nederlandse Spoorwegen

(in millions of euros)	2015	2014
Other result	-	-
Result of group companies after tax	118	180
<b>Net result</b>	<b>118</b>	<b>180</b>

## Accounting policies applied for the financial statements

### General

For determining the accounting policies for the valuation of assets and liabilities and determining the result for the company financial statements, NV Nederlandse Spoorwegen makes use of the option provided by paragraph 8, Section 362, Book 2 of the Dutch Civil Code. This means that the principles for the valuation of assets and liabilities and determination of the result (hereinafter the 'accounting policies') for the company financial statements of NV Nederlandse Spoorwegen are the same as those used for the consolidated financial statements. The associates over which significant influence is exercised are valued using the equity method.

### Participating interests in group companies

The participating interests in group companies are valued using the equity method, with losses only being considered insofar as the shareholder is obliged to settle them.

### Result for group companies

The result for group companies consists of the result after income tax.

## Notes to the company balance sheet and income statement

The amounts included in the explanatory notes are in millions of euros, unless stated otherwise.

(in millions of euros)	2015	2014
<b>Financial non-current assets</b>		
<i>Participating interests in group companies</i>		
<b>Balance as at 1 January</b>	<b>3,216</b>	<b>3,044</b>
Share in result	118	180
Dividend distributed for the previous reporting year	-48	-
Other changes	23	-8
<b>Balance as at 31 December</b>	<b>3,309</b>	<b>3,216</b>

## Equity

### Revaluation reserve

The revaluation reserve includes a sum of €6 million that arose as the consequence of a revaluation to fair value of an extension to an existing interest in 2012.

## Other reserves

(in millions of euros)

	Translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve for associates	General reserve	Total other reserves
<b>Balance as at 1 January 2014</b>	<b>1</b>	<b>-28</b>	<b>-</b>	<b>2</b>	<b>17</b>	<b>2,083</b>	<b>2,075</b>
Movements revaluation reserves	4	-11	-	2	-1	-	-6
Dividend paid						-	-
Result previous year						-43	-43
Other movements						-2	-2
	<b>4</b>	<b>-11</b>	<b>-</b>	<b>2</b>	<b>-1</b>	<b>-45</b>	<b>-51</b>
<b>Balance as at 31 December 2014</b>	<b>5</b>	<b>-39</b>	<b>-</b>	<b>4</b>	<b>16</b>	<b>2,038</b>	<b>2,024</b>
Movements revaluation reserves	3	-4	-	13	11	-	23
Dividend paid						-48	-48
Result previous year						180	180
Other movements						-	-
	<b>3</b>	<b>-4</b>	<b>-</b>	<b>13</b>	<b>11</b>	<b>132</b>	<b>155</b>
<b>Balance as at 31 December 2015</b>	<b>8</b>	<b>-43</b>	<b>-</b>	<b>17</b>	<b>27</b>	<b>2,170</b>	<b>2,179</b>

As at year-end 2015, the 'Other reserves' included a statutory reserve for research and development costs of €121 million (2014: €92 million). Because of the nature of the activities of NS Insurance, a sum of €41 million is not freely disposable.

### Off balance sheet commitments

No claims have been brought against NV Nederlandse Spoorwegen and the consolidated participating interests, other than as indicated in note 28, that have not been recognised appropriately in the balance sheet.

For the purpose of income tax, all the Dutch subsidiaries belonging to the Group (with the exception of Qbuzz) are part of the NV Nederlandse Spoorwegen tax group, with the exception of the foreign corporate units. Consequently NV Nederlandse Spoorwegen is jointly and severally liable for the tax liabilities of the subsidiaries included in the tax group.

### Key participating interests

NV Nederlandse Spoorwegen is the holding company of NS Groep NV. NS Groep NV is the sole subsidiary of NV Nederlandse Spoorwegen. Please refer to page 169 for an overview of the associates.

Utrecht, 18 February 2016

**Supervisory Board**

Ms T.M. Lodder  
Chairman

Ms I.M.G. Jankovich

J.J.M. Kremers

P. Rosenmöller

G. van de Aast

**Board of Directors**

R.H.L.M. van Boxtel  
CEO

E.M. Robbe  
CFO

Ms S. Zijderveld (from 1 February 2016)  
CGRC

## OTHER INFORMATION

### **Profit appropriation as stipulated by the Articles of Association**

In accordance with Article 21 paragraph 2 of the Articles of Association of NV Nederlandse Spoorwegen, the Annual General Meeting of Shareholders decides on the appropriation of any positive balance in the income statement.

### **Profit appropriation proposal**

A proposal will be put to the meeting to add €77 million of the net profit of €118 million to the general reserves and to distribute the remaining €41 million as dividend.

### **Events after the balance sheet date**

Please refer to note 30 of the consolidated financial statements for information on events after the balance sheet date.



# INDEPENDENT AUDITOR'S REPORT

To: the shareholder and supervisory board of NV Nederlandse Spoorwegen

## Report on the audit of the financial statements 2015

### Our opinion

We have audited the 2015 financial statements of NV Nederlandse Spoorwegen (also referred to as the company), based in Utrecht, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of NV Nederlandse Spoorwegen as at 31 December 2015 and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The company financial statements give a true and fair view of the financial position of NV Nederlandse Spoorwegen as at 31 December 2015 and of its result in 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2015
- The following statements for 2015: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity
- The notes comprising a summary of significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2015
- The company statement of income for 2015;
- The notes comprising a summary of significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the *Dutch Standards on Auditing*. Our responsibilities

under those standards are further described in the *Our responsibilities for the audit* of the financial statements section of our report.

We are independent of NV Nederlandse Spoorwegen in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Materiality	€35 million
Benchmark used	0.8% of revenue
Additional explanation	Revenue, as the basis of the company's activities, is deemed to be the most relevant basis for materiality given the nature of NS, its objectives and the importance of its operational performance.

The materiality is allocated to the individual business units within the Group. We have also taken into account misstatements and/or possible misstatements that, in our opinion, are material for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €1.75 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

NV Nederlandse Spoorwegen is the parent company of a group of companies. The financial information concerning this group is included in the consolidated financial statements of NV Nederlandse Spoorwegen.

Our group audit mainly focused on significant group entities NS Reizigers, Abellio, NS Stations and NedTrain. We have performed review procedures or specific procedures at the other group entities. We have performed audit procedures ourselves at the Dutch group entities. We have used the work of other

EY auditors when auditing the foreign group entities. Applying the scoping criteria as described above has resulted in a coverage of 99% of total assets, 100% of total revenues and 100% of profit before taxes.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

## Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Risk

#### Irregularities identified in the bid for the Limburg franchise

In 2015, NS identified irregularities within Qbuzz/Abellio relating to the tendering process for public transport in Limburg. The findings were prompted by an investigation by the Netherlands Authority for Consumers and Markets (ACM) following a complaint by Veolia. Subsequently NS identified indications of possible irregularities, and engaged external lawyers to conduct an investigation.

The ACM concluded that NS had violated the Railways Act in certain respects in the preparation of the tendering process in Limburg. The ACM concluded that, as a result of these irregularities, Veolia had suffered damages.

The Public Prosecution Service also stated that a number of NS Group companies were deemed to be suspects in this case and initiated an investigation.

### Our audit response

We have verified that the actions taken by NS are sufficient to determine the nature and extent of the identified irregularities. Furthermore we have assessed the independence and expertise of the external investigators. Where necessary, we have performed additional procedures to mitigate risks identified for our audit. We included our fraud investigation experts in our team for this purpose.

The disclosure related to the financial reporting on the identified irregularities is disclosed in note 28 of the financial statements.

### Risk

#### Reliability of the preparation and reporting of the main rail network franchise performance indicators

It has been stipulated in the main Dutch rail network franchise agreement that the operational performance must improve over the term of the franchise. The interim evaluation and final evaluation will take place in 2019 and 2024 respectively. Failure to achieve the agreed target values may result in penalties or measures affecting the award of the franchise, while NS may earn bonus payments if performance exceeds the target values. Reliability of the preparation and reporting of the non-financial performance indicators (targets) is essential.

The actual values for the main rail network performance indicators in 2015 are included in the Activity Report chapter in the annual report 2015.

### Our audit response

In accordance with the statutory obligation, we examined the annual report 2015, including its consistency with the financial statements. Furthermore we are providing a limited level of assurance on certain selected chapters in the annual report 2015. Please refer to our assurance report included in the annual report.

We support NS's opinion that the reliable measurement of these performance indicators is key, as well as, the intention to improve the reliability of the reported performance indicators.

In our report to NS, we have reported that changes to IT and the internal management environment are deemed necessary to achieve this. In addition a greater degree of assurance is required relating to third party information.

NS has included an extensive disclosure of the relevant performance indicators in the sections 2015 in a nutshell and Activity Report of the annual report.

## Risk

### Recognition of revenue from passenger services and accounting for contractual provisions in the main rail network franchise

The total revenues include the revenues relating to passenger services amounting to € 4.2 billion euros. These passenger revenues include revenues out of ticket sales as well as, government contributions. In order to determine these revenues, management has to make estimates. These estimates relate to period allocation, realization of performance goals and other conditions which are included in the different concession agreements. The diversity in ticket sales combined with the high amount of transactions require high standards of reliability and continuity of the automated transaction-processing systems in order to guarantee individual transactions will result in correct and complete revenue recognition.

The main Dutch rail network franchise includes various specific contractual provisions and adjustment mechanisms. The adjustment mechanisms concern a payment for which the franchise holder becomes eligible if the average realized return on investment over a predefined period is less than the threshold value (4%), as well as adjustments for any unexpectedly favourable developments in energy prices during the franchise term.

## Our audit response

Our audit procedures include the assessment of internal controls and automated environment which guarantee reliable and complete processing of transactions, challenging the management assumptions regarding allocation of revenues, inspecting suspense accounts for revenues and inspecting manual journal entries for revenues. In 2015, NS followed up on various findings that we reported in 2014.

We examined the various contractual provisions in the main Dutch rail network franchise and discussed them with the executive board. We verified that the contractual provisions are accounted for in accordance with the reporting standards.

The disclosures relating to revenue recognition of passenger services are included in note 1 and 28 of the financial statements.

## Risk

### Tax position and fiscal risks

The key issues regarding the tax position are the Group's relationship with the Irish subsidiary NS Financial Services, which operates as a leasing company for the other NS business units, the recognition of the impairment loss on the V250 rolling stock and the valuation of the deferred tax assets.

In certain circumstances estimation differences or disputes may occur with the various national authorities.

## Our audit response

When applicable we examined the relevant documentation and verified that the tax assets and liabilities are recorded in the financial statements in accordance with IFRS.

We have performed audit procedures on the estimation process and verified the correctness and completeness of the recorded deferred tax assets and liabilities. We have included our internal tax experts in the performance of our audit procedures. We assessed and challenged the assumptions supporting managements estimations taking into consideration the local tax legislations.

The disclosures relating to the tax position and fiscal risks are included in note 10 and 16 of the financial statements.

## Risk

### Reliability and continuity of automated data processing

To a considerable extent, NS depends on the IT infrastructure for the continuity of its business operations. In recent years, NS has invested in the improvement of IT hardware, systems and processes, focusing on increasing IT infrastructure effectiveness and the reliability and continuity of automated data processing.

## Our audit response

We reviewed the reliability and continuity of the automated data processing, only insofar as necessary within the scope of the audit of the financial statements. For this purpose, our audit team included specialised IT auditors. Our audit procedures consisted of the assessment of the developments in the IT infrastructure, as well as, the testing of the relevant internal control procedures relating to the various IT systems and processes. We have reported identified risks and recommendations relating to specific areas of improvement in our management letter to the board of directors. Our procedures performed show that NS has expeditiously followed up on the findings we reported in 2014. The findings that still need attention were highlighted again.

We refer to the paragraph Managing risks included in the annual report.

We have discussed the results of our audit with the supervisory board, and more particularly the audit committee.

### Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## **Report on other legal and regulatory requirements**

### *Report on the management board report and the other information*

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed
- We report that the management board report, to the extent we can assess, is consistent with the financial statements

### *Engagement*

We were engaged by the supervisory board as auditor of N.V. Nederlandse Spoorwegen on 3 September 2013 as of the audit for year 2014 and have operated as statutory auditor since that date.



Rotterdam, 18 February 2016

Ernst & Young Accountants LLP

J. Hetebrij

## ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the shareholder and the supervisory board of N.V. Nederlandse Spoorwegen.

We have performed an assurance engagement on selected parts of the annual report for 2015 of N.V. Nederlandse Spoorwegen (hereinafter: NS), Utrecht. The selected parts of the annual report 2015 of NS comprise a description of the policy, the activities, events and performance of NS relating to sustainable development during the reporting year 2015.

Our assurance engagement on the selected parts of the annual report 2015 of NS was carried out for the purpose of obtaining:

- A limited level of assurance that the information in the chapters The profile of NS, Report by the executive board, Our strategy, Finances in brief, Scope and reporting criteria, Activities in the Netherlands and Abellio in the annual report 2015 (hereinafter: The selected chapters of the report) has been presented correctly, in all material respects, in accordance with the Sustainability Reporting Guidelines G4 (option Comprehensive) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the internal reporting criteria developed by NS
- A reasonable level of assurance that the below listed parameters (hereinafter: the selected parameters) for 2015 have been presented correctly in accordance with the internal reporting criteria developed by NS, as disclosed on page 57 of the annual report 2015:
- CO<sub>2</sub> emissions per passenger-kilometre of NS Reizigers and NS International
- CO<sub>2</sub> emissions per bus-kilometre of Abellio London Bus & Surrey
- Tonnage company waste, office waste and consumer waste from the stations and trains of NS Netherlands and the percentage waste which NS Netherlands offers separated to her waste processors

### *Limitations in our scope*

The Sustainability Report contains prospective information, such as an outlook, ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual fu-

ture results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

In the chapter Our impact on the environment and on society, calculations are mostly based on external sources. The sources used are explained in the document Impact Analysis Methodology Annual Report 2015 on [www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns](http://www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns). We have not performed procedures on the content of these external sources, other than evaluating the suitability and plausibility of these external sources used.

The GRI index 2015 (<http://www.nsjaarverslag.nl/jaarverslag-2015/gritabel/>) and the MVO calculations ([www.ns.nl/mvoberekeningen](http://www.ns.nl/mvoberekeningen)) as published on [www.ns.nl](http://www.ns.nl) are an integral part of the annual report 2015 and are within our engagement scope. Other references in the annual report 2015 of NS (to [www.ns.nl](http://www.ns.nl), external websites and other documents) are not part of our assurance engagement.

### *The executive board's responsibility*

The executive board of NS is responsible for the preparation of the Sustainability Report in accordance with the Sustainability Reporting Guidelines G4 (option Comprehensive) of the GRI, the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by NS as disclosed on page 57 of the annual report 2015, including the identification of the stakeholders and the determination of material issues. The disclosures made by the executive board with respect to the scope of the annual report 2015 are included in the chapter Reporting criteria and scope of the annual report 2015.

Furthermore the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the selected chapters of the report and selected parameters that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the selected

chapters of the report and an opinion on the selected parameters. We conducted our assurance engagement in accordance with Dutch law, including the Dutch Standard 3810N, "Assurance engagements relating to sustainability reports" and the Dutch Standard 3000, "Assurance engagements other than audits or reviews of historical financial information". This requires that we comply with ethical requirements and that we plan and perform procedures to obtain:

- Limited assurance about whether the selected chapters of the report are free from material misstatement and
- Reasonable assurance about whether the selected parameters are free from material misstatement.

The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as when focused on reasonable assurance and therefore less assurance is provided. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained for the information included in the selected chapters of the report.

The procedures selected to obtain reasonable assurance depend on the auditor's judgment, including the assessment of the risks of material misstatement of the selected parameters, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the selected parameters, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used for the selected parameters and the reasonableness of accounting estimates made by management.

#### *Procedures performed*

Our main procedures for obtaining a limited level of assurance included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the or-

ganization

- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management
- Evaluating the in accordance option with the Sustainability Reporting Guidelines G4 (option Comprehensive) of GRI
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the selected chapters of the report
- Interviewing relevant staff at corporate and business division level responsible for the sustainability strategy and policies
- Interviewing relevant staff responsible for providing the information in the selected chapters of the report, carrying out internal control procedures on the data and the consolidation of the data in the selected chapters of the report
- Performing site visits at several departments in the Netherlands and the United Kingdom to evaluate the source data and the design of internal control and validation at local level
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the selected chapters of the report is reliable
- Performing analytical reviews of the data and trend explanations submitted for consolidation at group level
- Evaluating whether the estimates made in the impact analysis are reasonable, including the presumptions on which the estimates were based, which are included in the document Impact Analysis Methodology Annual Report 2015 on [www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns](http://www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns)
- Evaluating the suitability and plausibility of the external sources used in the calculations on which the impact analysis is based, which are included in the document Impact Analysis Methodology Annual Report 2015 on [www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns](http://www.ns.nl/en/about-ns/corporate-social-responsability/sustainability-at-ns)
- Evaluating the definitions of the performance indicators for the main rail network in the 2015 Transport Plan as included in the Downloads section at [ns.nl/jaarverslag](http://ns.nl/jaarverslag)

Additional procedures for obtaining a reasonable level of assurance included the following:

- In addition to the design and the implementation, performing testing controls on the operating effectiveness of the systems and processes for data gathering and processing of information for the selected parameters and the related disclosures
- Performing site visits and interviewing employees responsible for analyzing and reporting the selected parameters
- Analyzing the selected parameters, related disclosures and reporting criteria developed by NS, as disclosed on page 57 of the annual report 2015

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion and our opinion.

#### *Conclusion on the selected chapters of the report*

Based on our procedures performed, and with due consideration of the limitations described in the paragraph Limitations in our scope, nothing has come to our attention that causes us to conclude that the information in the selected chapters of the report does not provide, in all material respects, a reliable and appropriate presentation of the policy of NS for sustainable development, or of the activities, events and performance of the organization relating to sustainable development during 2015, in accordance with the Sustainability Reporting Guidelines G4 (option Comprehensive) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by NS as disclosed on page 56 of the annual report 2015.

#### *Opinion on the selected parameters*

In our opinion, the selected parameters and the related disclosures in the annual report 2015 are prepared, in all material respects, in accordance with the reporting criteria developed by NS as disclosed on page 56 of the annual report 2015.

#### *Emphasis of matters*

We draw attention to the actual values for the performance indicators for the main rail network during 2015 as included in the chapter 'Activity report' in the annual report 2015. For

the correct interpretation of these performance indicators, these should be considered in conjunction with the definition cards for the performance indicators in the 2015 Transport Plan as included in the Downloads section at [ns.nl/jaarverslag](http://ns.nl/jaarverslag).

We draw attention to the section on Abellio Greater Anglia in Chapter 15 Abellio UK of the annual report 2015. As NS states, the parameter CO<sub>2</sub> emissions per passenger-kilometre for the Abellio Greater Anglia concession has not been included in the annual report 2015 because it was not possible to obtain a reliable figure. Hence we have not formed an opinion on this parameter.

Rotterdam, 18 February 2016

Ernst & Young Accountants LLP

H. Hollander





## NS ten-year summary

(in millions of euros)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Assets</b>										
Property, plant and equipment	3,296	3,157	3,115	3,405	3,433	3,272	3,150	2,844	2,710	2,468
Investment property	194	196	169	314	315	309	317	319	307	305
Intangible assets	225	174	125	117	76	64	157	149	115	96
Investments recognised using the equity method	183	185	197	14	14	14	40	33	27	24
Other financial assets, including investments	340	226	205	176	150	146	305	274	263	254
Deferred tax assets	278	295	385	346	392	407	438	455	524	654
<b>Total non-current assets</b>	<b>4,516</b>	<b>4,233</b>	<b>4,196</b>	<b>4,372</b>	<b>4,380</b>	<b>4,212</b>	<b>4,407</b>	<b>4,074</b>	<b>3,946</b>	<b>3,801</b>
Inventories	138	119	109	134	80	95	132	133	133	127
Other investments	270	223	231	279	362	209	150	1,454	1,815	1,882
Trade and other receivables	659	499	545	509	680	892	1,245	1,377	1,243	823
Income tax receivables	32	32	30	11	14	-	34	154	116	-
Cash and cash equivalents	671	775	759	948	534	386	546	571	291	481
<b>Total assets</b>	<b>1,770</b>	<b>1,648</b>	<b>1,674</b>	<b>1,881</b>	<b>1,670</b>	<b>1,582</b>	<b>2,107</b>	<b>3,689</b>	<b>3,598</b>	<b>3,313</b>
<b>Total assets</b>	<b>6,286</b>	<b>5,881</b>	<b>5,870</b>	<b>6,253</b>	<b>6,050</b>	<b>5,794</b>	<b>6,514</b>	<b>7,763</b>	<b>7,544</b>	<b>7,114</b>
<b>Equity and liabilities</b>										
<b>Equity</b>	<b>3,309</b>	<b>3,216</b>	<b>3,044</b>	<b>3,168</b>	<b>2,977</b>	<b>2,831</b>	<b>2,871</b>	<b>4,249</b>	<b>4,109</b>	<b>3,843</b>
Deferred credits	263	112	122	134	170	213	229	238	251	267
Loans and borrowings, including derivatives	440	867	730	577	180	315	785	839	794	786
Employee benefits	30	33	33	35	31	34	34	34	40	48
Provisions	155	140	182	277	349	175	233	162	147	192
Accruals	55	1	23	39	239	103	29	8	22	6
Deferred tax liabilities	168	169	158	153	136	103	88	66	51	67
<b>Total non-current liabilities</b>	<b>1,111</b>	<b>1,322</b>	<b>1,248</b>	<b>1,215</b>	<b>1,105</b>	<b>943</b>	<b>1,398</b>	<b>1,347</b>	<b>1,305</b>	<b>1,366</b>
Bank overdrafts	-	-	-	-	-	-	18	42	46	15
Loans and borrowings, including derivatives	488	60	57	48	365	387	292	244	232	248
Corporate tax payables	22	8	8	12	17	7	-	1	84	46
Trade and other payables	1,060	868	1,003	1,248	784	794	1,210	1,226	1,101	1,097
Deferred income	260	372	314	387	754	751	707	639	616	436
Provisions	36	35	196	175	48	81	18	15	51	63
<b>Total current liabilities</b>	<b>1,866</b>	<b>1,343</b>	<b>1,578</b>	<b>1,870</b>	<b>1,968</b>	<b>2,020</b>	<b>2,245</b>	<b>2,167</b>	<b>2,130</b>	<b>1,905</b>
<b>Total equity and liabilities</b>	<b>6,286</b>	<b>5,881</b>	<b>5,870</b>	<b>6,253</b>	<b>6,050</b>	<b>5,794</b>	<b>6,514</b>	<b>7,763</b>	<b>7,544</b>	<b>7,114</b>
(in millions of euros)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Consolidated income statement</b>										
Revenue	4,973	4,144	3,873	4,638	3,628	3,520	3,271	4,253	4,040	3,846
Total operating expenses	4,876	3,863	3,990	4,284	3,356	3,286	3,121	3,925	3,685	3,536
Share in result of investees recognised using the equity method	70	40	47	-	-	-	-	-	-	-
<b>Result from operating activities</b>	<b>167</b>	<b>321</b>	<b>-70</b>	<b>354</b>	<b>272</b>	<b>234</b>	<b>150</b>	<b>328</b>	<b>355</b>	<b>310</b>
Net finance result	-23	-35	-26	-25	-12	-22	4	67	56	43
Share in result of investees recognised using the equity method	-	-	-	1	1	1	-	4	5	1
<b>Result before income tax</b>	<b>144</b>	<b>286</b>	<b>-96</b>	<b>330</b>	<b>261</b>	<b>213</b>	<b>154</b>	<b>399</b>	<b>416</b>	<b>354</b>
Income tax	-26	-106	53	-67	-50	-53	-37	-118	-79	-157
<b>Result for the period</b>	<b>118</b>	<b>180</b>	<b>-43</b>	<b>263</b>	<b>211</b>	<b>160</b>	<b>117</b>	<b>281</b>	<b>337</b>	<b>197</b>

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